

More growth in store...

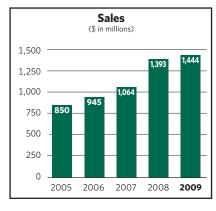
NORTH WEST COMPANY FUND 2009

Annual Financial Report

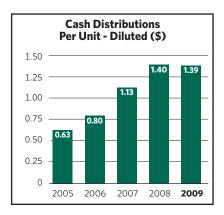
Financial Highlights

All currency figures in this report are in Canadian dollars, unless otherwise noted

(\$ in thousands, except per unit information)	Jan	Year Ended nuary 31, 2010	Jan	Year Ended uary 31, 2009	Janu	Year Ended Jary 31, 2008
RESULTS FOR THE YEAR						
Sales	\$	1,444,366	\$	1,392,634	\$	1,064,490
Same store sales % increase ¹		0.1%		2.7%		6.7%
Trading profit 2 (earnings before interest, income taxes and amortization)	\$	130,274	\$	122,257	\$	106,557
Earnings before interest and income taxes ² (EBIT)		95,124		90,203		79,607
Net earnings		81,813		75,378		62,991
Cash flow from operations ²		116,486		106,324		94,739
FINANCIAL POSITION						
Total assets	\$	623,800	\$	609,173	\$	529,670
Total debt		209,170		213,026		159,833
Total equity		289,926		274,410		256,301
FINANCIAL RATIOS						
Debt-to-equity		.72:1		.78:1		.62:1
Return on net assets ³		18.7%		19.8%		21.0%
Return on average equity		29.3%		28.6%		24.9%
Sales blend: Food		77.0%		75.0%		70.0%
General Merchandise		20.0%		22.0%		26.0%
Other		3.0%		3.0%		4.0%
PER UNIT (\$) - DILUTED 4						
Trading profit	\$	2.69	\$	2.52	\$	2.20
Net earnings		1.69		1.56		1.31
Cash flow from operations		2.40		2.20		1.96
Market price - January 31		17.94		16.14		18.42
- high		19.60		19.99		22.68
- low		14.88		13.00		15.01







- 1 Same store sales, excluding the foreign exchange impact, on an equivalent year basis
- 2 See Non-GAAP measures section on page 26
- ${\tt 3\ Earnings\ before\ interest\ and\ income\ taxes\ as\ a\ percent\ of\ average\ net\ assets\ employed}$
- 4 All per unit information has been restated to reflect the three-for-one unit split that occurred on September 20, 2006

Annual Financial Report

TABLE OF CONTENTS

Management's Discussion & Analysis

Forward-Looking Statements	2
Our Business Today, Vision and Principles	3
Strategies	4
Key Performance Drivers and Capabilities to Deliver Results	5
Consolidated Results	6
Canadian Operations	8
International Operations	10
Consolidated Liquidity and Capital Resources	12
Conversion to a Share Corporation	15
Quarterly Financial Information	16
Disclosure Controls	16
Internal Controls over Financial Reporting	17
Outlook	17
Risk Management	17
Critical Accounting Estimates	21
Accounting Standards Implemented in 2009	23
Future Accounting Standards	23
Non-GAAP Measures	26
Glossary of Terms	27
Eleven-Year Financial Summary	28
Consolidated Financial Statements	
Management's Responsibility for Financial Statements	30
Auditors' Report	30
Consolidated Balance Sheets	31
Consolidated Statements of Earnings & Retained Earnings	32
Consolidated Statements of Comprehensive Income	32
Consolidated Statements of Cash Flows	33
Notes to Consolidated Financial Statements	34
Unitholder Information	48
Corporate Governance	49

Unless otherwise stated, this Management's Discussion & Analysis (MD&A) for the North West Company Fund ("NWF" or "Fund") and its subsidiaries (collectively, "North West Company", the "Company", "North West", or "NWC") is based on the financial information included in the Consolidated Financial Statements and Notes to the Consolidated Financial Statements on pages 30 to 47 which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are in Canadian dollars. The information contained in this MD&A is current to April 7, 2010, unless otherwise stated.

Forward-Looking Statements This Management's Discussion & Analysis (MD&A) contains forward-looking statements about the North West Company Fund, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional future financial performance (including sales, earnings, growth rates, distributions, dividends, debt levels, financial capacity, access to capital, and liquidity), ongoing business strategies or prospects, the proposed conversion from an income trust to a corporation and the timing thereof, and possible future action by the Fund, are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund, economic factors and the retail industry in general. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forwardlooking statements made by the Fund due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Fund's ability to complete strategic transactions and integrate acquisitions and the Company's success in anticipating and managing the foregoing risks. The reader is cautioned that the foregoing list of important factors is not exhaustive. Other risks are outlined in the Risk Management section of this MD&A and in the Risk Factors sections of the Annual Information Form and Management Information Circular. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

Additional information on the Fund, including our Annual Information Form, can be found on SEDAR at www.sedar.com or on the Company's website at www.northwest.ca.

Management's Discussion & Analysis

OUR BUSINESS TODAY

The North West Company (NWC or North West) is a leading retailer to underserved rural communities and urban neighbourhood markets in the following regions: northern Canada, western Canada, rural Alaska, the South Pacific and the Caribbean. Our stores offer a broad range of products and services with an emphasis on food. Our value offer is to be the best local shopping choice for everyday household and local lifestyle needs.

North West's core strengths include our ability to adapt our product mix to each market we serve; our logistics expertise in moving product to, and operating stores within, remote or difficult-to-serve locations; our knowledge in serving indigenous and lower-income customers; and our ability to apply these strengths to serve customers within complementary niche businesses.

North West owns a rich enterprising legacy as one of the longest continuing retail enterprises in the world. The Company traces its roots back to 1668 with many of our stores in northern Canada and Alaska having continuously served their communities for over 200 years. Today these northern stores operate in communities with populations from 500 to 7,000. A typical store is 7,500 square feet in size and offers food, family apparel, housewares, appliances, outdoor products and services such as post offices, income tax return preparation, quick-service prepared food, commercial business sales, money transfers and cheque cashing.

Growth at North West has come from market share expansion within existing locations and from applying our expertise and infrastructure to new markets and complementary businesses. These include wholesaling to independent stores, opening Giant Tiger junior discount stores in rural communities and urban neighbourhoods in western Canada, and our late 2007 acquisition of Cost-U-Less, Inc. (CUL), a chain of midsize warehouse format stores serving the South Pacific and the Caribbean.

Adapting to unique local lifestyles, cultures and selling opportunities better than our competition is a key strength and ongoing strategy for North West. Store development flexibility, store management selection and learning programs, store-level merchandise ordering, community relations and profit-sharing incentive plans are all ingredients of the model we have built to support this strategy. We believe that continued, efficient enhancement of our localization skills, is an essential component in meeting the customer needs within each market we serve.

North West delivers its products and services through the following retail banners and wholesale businesses, in two reporting segments:

Canadian Operations

- 127 Northern stores, offering a combination of food, financial services and general merchandise to remote northern Canadian communities;
- 31 Giant Tiger junior discount stores, offering family fashion, household products and food to urban neighbourhoods and larger rural centres in western Canada;
- 7 NorthMart stores, targeted at larger northern markets with an emphasis on an expanded selection of fresh foods, fashion and health products and services;
- 11 Quickstop convenience stores, offering ready-to-eat foods, petroleum products and related services;
- 1 Valu Lots clearance center;
- 1 Solo Market test store, targeted at less remote, rural markets:
- Crescent Multi Foods (CMF), a distributor of produce and fresh meats to independent grocery stores in Saskatchewan, Manitoba and northwestern Ontario;
- 2 North West Company Fur Marketing outlets, trading in wild furs and offering Aboriginal handicrafts and authentic Canadian heritage products; and
- The Inuit Art Marketing Service, Canada's largest distributor of Inuit art.

International Operations

- 29 AC Value Centers, stores similar to Northern and NorthMart, offering a combination of food and general merchandise to communities across remote and rural regions of Alaska;
- 4 Quickstop convenience stores;
- Pacific Alaska Wholesale (formerly Frontier Expeditors and SPAN Alaska), a leading distributor to independent grocery stores and individual households in rural Alaska;
- 12 Cost-U-Less (CUL), mid-size warehouse stores, offering discount food and general merchandise products to island communities in the South Pacific and the Caribbean; and
- 1 Island Fresh Supermarket, neighborhood stores offering convenience with an emphasis on fresh and prepared foods.

VISION

At North West our vision is to be a leading community retailer within underserved and less developed markets. We want to maximize our customers' desire and ability to shop with us by being a trusted local store. We do this by being more accessible, more flexible, friendlier and lower cost. For our investors we want to deliver superior, top-quartile returns over the long term.

PRINCIPLES

The way we work at North West is shaped by six core principles: Customer Driven, Enterprising, Passion, Accountability, Trust, and Personal Balance.

Customer Driven is our practice of always looking through the eyes of our customers while recognizing our stores' unique role as a supportive community citizen.

Enterprising is our spirit of innovation, improvement and growth, reflected in our unrelenting focus on new store formats, products, services and processes.

Passion refers to our connection to our work, our role as a community store and our opportunity to do great things at North West.

Accountability is our management approach to getting work done through clear roles, tasks and resources.

Trust at North West means doing what you say you will do, with fairness, integrity and respect.

Personal Balance is our commitment to sustaining ourselves and our organization, so that we work effectively for our customers and communities over the long term.

STRATEGIES

The Company's long-range plans (LRP) are developed in fiveyear cycles and are reviewed and adjusted on an annual basis or as required at the senior management and board levels. 2009 was the start of a LRP cycle and included an in-depth assessment of North West's past performance, opportunity gaps within each business segment, and new business growth potential.

As a result of our 2009 LRP work, we have identified operational excellence as the first priority within our existing retail network, themed as "More Growth in Store". This finding and subsequent direction-setting is based on gaps that we see within our current store base which, if effectively addressed, will deliver attractive financial returns over the next three years and set the foundation for accelerated new market, product and service growth over the long term.

The strategic rationale for this approach fully considered our past successes and unrealized opportunities. Over the past five years, food market share and margin rates increased through better sourcing, through more store-branded products that offered a value alternative to national brands and by building on our store-level capability with training, new technology and best practices. Our food growth strategy was augmented by opportunistically pursuing complimentary everyday products and services. These included financial services, post offices, fuel and pharmacies. New store growth was achieved by acquiring independent stores in northern Canada and Alaska, through Giant Tiger store expansion in western Canada and through our acquisition of Cost-U-Less, Inc. in late 2007.

While our business successfully developed beyond our core northern markets and merchandise mix, resources and executive attention were stretched. The effect was that other, high potential elements within our business were left without the necessary degree of investment and leadership.

The specific areas we have now highlighted for attention further protect, grow and optimize the performance of our food business, which accounts for 77% of our sales base. Within this important merchandise group there are three priority initiatives:

1. Improve food categories with significant financial gaps. For North West these categories are perishable foods that attract higher activity costs and that require more complex execution. The solutions being identified and acted on will deliver a simpler, streamlined business with implications for assortment breadth, packaging, refrigeration, and merchandising. The emphasis in 2010 will be produce and

- meat, followed by prepared foods and other frozen and chilled categories in 2011, and then general merchandise in 2012
- 2. Optimize In-Stock Position. While the number one potential for margin improvement lies within our perishable categories, the top sales driver for North West depends on improving our in-stock ability. A core element of each banner's value offer is convenience, which in turn is driven by in-stock performance. Our biggest gains in this area will be in shelf-stable (non-refrigerated) merchandise, ranging from paper products to canned goods and snack foods. Similar to our work on perishables, the strategies will apply to how we order and ship products, and will seek to achieve more streamlined, better forecasted and automated processes while ensuring that we focus on allocating the appropriate selling space to the items our customers value the most.
- **3. Be "Priced Right"**. We consider improved price management to be a strategic opportunity at North West, especially in our more remote banners. Market-based pricing is more difficult due to limited local shopping options in many of these locations and this requires a deeper, more sophisticated understanding of consumer purchase behaviour relative to price. At the outset this initiative will focus on accurate and timely price checking and price adjusting, coupled with the testing of new, lower pricing approaches.

Supporting these "More Growth in Store" selling initiatives are three foundational strategies:

- 1. Ensure store teams are capable and stable. With such a diverse store network, our people, especially at store level, have always made the difference at North West. Through our LRP assessment work we identified a critical need to solidify our store teams so that they stay together longer in specific locations, deepening customer and community relationships, and building their business. For this to happen consistently, we are revamping recruitment, retention and store work processes to ensure we attract and retain highly productive, capable store personnel.
- 2. Build on our supply chain advantage. North West is a major shipper of merchandise and other freight into the remote markets that we serve. This creates an opportunity to work more collaboratively with our carrier partners to fully leverage our knowledge and forecasted volumes. The outcomes we expect from this strategy are improved delivery service within a more productive, lower cost transportation network.
- 3. Cascade NWC's leadership principles into practices. We consider our leadership principles, in action, to be a critical link to great, sustainable performance across all levels of our organization. From our cashiers to our buyers and store managers, we recognize the potential for measurable, effective practices that reflect these principles and align our work. Our LRP carries forward this commitment to making leadership at North West deeper and more effective.

Beyond our "More Growth in Store" emphasis over the next three to five years, we will maintain select growth investment in related markets, products and services. Recent examples were our expansion into pharmacies and health care and the acquisition of CUL. Going forward we will keep learning from and nurturing these ventures while ensuring that their risk/return profile is close to that of our more established retail business base and that resources are not diverted from our key LRP strategies. We will continue to carefully assess the long-term potential of any major new business, product or service and the probability of achieving threshold returns on a sustainable, consistent basis. Across this work we keep emphasizing new ideas, clear principles, execution, and the ability to track performance.

The strategies at North West reflect our total return approach to performance. We place an approximately equal emphasis on growth and income yield in delivering top quartile total returns to investors. Investment opportunities, as noted above, are considered in terms of their ability to sustain an attractive current cash return in addition to growth prospects.

Effective January 1, 2011, North West intends to convert from an income trust back to a share corporation. This restructuring is in response to changes in the income tax legislation whereby a new entity-level tax on distributions from certain income trusts, such as the Fund, will be imposed commencing January 1, 2011. As a share corporation North West will continue to deliver total returns to investors based on a combination of yield and growth. Upon converting to a share corporation, it is the Company's intention to pay dividends of approximately the after-tax amount of the quarterly distributions prior to conversion with the balance of the after-tax cash flow reinvested to sustain and grow our business. These allocations are consistent with our current practice under the income trust structure. Additional information on the conversion to a share corporation is included under Conversion to a Share Corporation on page 15.

KEY PERFORMANCE DRIVERS AND CAPABILITIES TO DELIVER RESULTS

The ability to protect and enhance the profitability of northern store locations. These stores in Alaska and northern Canada represent approximately 80% of our profitability. Although we expect this percentage to diminish over the next five years as we add more stores in new markets and grow our wholesale businesses, we believe that the focus on food within our new LRP strategies will provide us with the ability to protect and enhance profitability.

The financial capability to sustain the competitiveness of our existing store base and to pursue growth. Our sustaining investments include capital investment in energy-efficient equipment, replacement stores and technology. Non-capital expenditures are centred on improvements to our in-store capabilities through more in-depth training programs and the ongoing implementation of "best practice" work processes.

The ability to be a leading community store in every market we serve. This depends on our ability to tailor our store formats, product/service mix, community support and store associate employment offer while still realizing the scale efficiencies of our size or the size of our alliance partners. This is our localization strategy. A broad range of products, services and store sizes, combined with flexible technology platforms and "best practice" work processes, are all required to give us the ability to achieve this goal.

The ability to successfully add new stores. Our new store opening success depends on finding viable locations, willing sellers of independent stores or chains and being able to integrate and accelerate their full contribution potential. Other success factors include achieving product sourcing, operating and transportation cost advantages while building strong, entrepreneurial store teams.

Our ability to achieve best selling practices and build supportive community relations. Enhancing store stability and capability is an ongoing priority that aligns with our goal of being as localized as possible. We continually invest in recruiting, retention and best practice work methods. We modify store processes to fully leverage our technology, specifically in the areas of communications, merchandise ordering, staff scheduling and training. This recognizes the important role played by our store managers and other key store-level personnel and the reality that remoteness and other conditions of our markets creates challenges in attracting and keeping talented people. Related to this is our ongoing ability to develop local management and to foster positive community relationships, especially within the indigenous markets we serve.

Our ability to reduce costs across all of our store banners, improve competitiveness and create more time and skill at store level to order and sell merchandise. A key goal is to shift more staff time and skill towards ordering and selling merchandise tailored to the unique markets we serve while reducing costs in the non-selling facets of store work. Cost savings are continually targeted at labour scheduling, energy usage and product shrinkage. We have developed alliances with other non-competing retailers to provide sales and distribution services for certain products and services where we do not have the scale to achieve a lower cost structure on our own. For example, under our alliance with Dufresne Furniture and Appliances of Winnipeg, Dufresne manages product assortment, marketing and distribution for the furniture and appliance categories in our Northern and NorthMart store banners. This has given us access to expertise and buying power and has allowed us to reduce inventories. Our new store banners and recent acquisitions have further enabled us to achieve cost efficiencies in direct importing, freight consolidation and general administration expenses while enabling us to share our specialized retail knowledge and ideas among our retail, wholesale and support service groups.

Consolidated Results

2009 Highlights

- Sales increased 3.7% to \$1.444 billion, led by food same store sales growth.
- Trading profit increased 6.6% to \$130.3 million, our tenth consecutive year of growth.
- Return on equity improved to 29.3% as a result of net earnings growth.
- Total returns to unitholders were 20.5% for the year and were 19.7% on a compound annual basis over the past five years.
- Consolidation of the International procurement and marketing functions was completed which is expected to deliver annualized savings of US\$300,000.
- New warehouse management information systems were implemented in Canada and distribution centers were opened in our Canadian and International Operations which are expected to provide increased productivity and efficiency.

2009 CORPORATE STRATEGIC INITIATIVES

Initiative #1

Build leadership capabilities

Result

By the end of the year, all senior management direct reports have been instructed on the key elements of our Leadership practices. The focus for 2010 is to introduce the Leadership practices to the next level of the organization and continue to refine the effectiveness of the practices at higher levels.

Initiative #2

Business planning

Result

The planning framework developed at the Board level in 2008 was utilized in our 2009 long range plan and the subsequent roll-out of our 2010 operating plan and key LRP initiatives.

Initiative #3

Energy conservation programs

Result

High-payback energy efficient lighting systems were installed in 10 of the CUL stores. Energy conservation upgrades including energy efficient refrigeration, heat reclaim systems and building control systems were completed in 18 Northern stores.

Some of the key performance indicators used by management to assess results are summarized in the following table:

Key Performance Indicators

(\$ in thousands, except per uni	t)	2009		2008	2007
Sales	\$	1,444,366	\$ 1	1,392,634	\$ 1,064,490
Same store sales % increase ¹		0.1%		2.7%	6.7%
Trading profit ²	\$	130,274	\$	122,257	\$ 106,557
EBIT ²	\$	95,124	\$	90,203	\$ 79,607
Net earnings	\$	81,813	\$	75,378	\$ 62,991
Net earnings per unit—basic	\$	1.71	\$	1.58	\$ 1.32
Net earnings per unit—diluted	\$	1.69	\$	1.56	\$ 1.31
Cash distributions in the year	\$	1.39	\$	1.40	\$ 1.13
Total assets	\$	623,800	\$	609,173	\$ 529,670
Total long-term liabilities	\$	161,928	\$	162,547	\$ 138,470
Return on net assets ³		18.7%		19.8%	21.0%
Return on average equity		29.3%		28.6%	24.9%

 $^{1\,}$ All references to same store sales excludes the foreign exchange impact

Consolidated Sales Sales for the year ending January 31, 2010 ("2009") increased 3.7% to \$1.444 billion compared to \$1.393 billion for the year ending January 31, 2009 ("2008") and were up 35.7% compared to \$1.064 billion for the year ending January 31, 2008 ("2007"). Excluding the foreign exchange impact, sales increased 2.4% from 2008 and were up 31.7% from 2007. On a same store basis, sales increased 0.1% compared to increases of 2.7% in 2008 and 6.7% in 2007.

Food sales increased 7.4% over 2008 and were up 5.8% excluding the foreign exchange impact as a result of new stores and strong same store sales growth across all banners. Same store food sales increased 3.1% over last year with quarterly same store increases of 4.3%, 3.6%, 1.7% and 2.8% in the fourth quarter. Canadian food sales increased 5.9% and International food sales were up 5.5% excluding the foreign exchange impact.

General merchandise sales decreased 7.5% compared to 2008 and were down 8.1% excluding the foreign exchange impact. Same store general merchandise sales decreased by 9.5%, although the trend improved during the year with same store sales decreases of 16.5%, 11.5%, 10.3% and 1.6% from the first to fourth quarter respectively. General merchandise sales were adversely affected by a sharp drop in discretionary spending power, caused principally by lower natural resource and tourism activity compared to the previous five years.

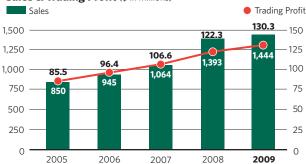
Other revenue, which includes fuel, fur and service charge revenue, decreased 3.1% compared to 2008 largely due to lower oil prices.

Sales Blend The table below shows the consolidated sales blend over the past three years:

	2009	2008	2007
Food	77.2%	74.6%	70.1%
General merchandise	19.8%	22.2%	26.1%
Other	3.0%	3.2%	3.8%

Canadian Operations accounted for 63.8% of total sales (64.6% in 2008 and 80.1% in 2007) while International Operations contributed 36.2% (35.4% in 2008 and 19.9% in 2007).

Sales & Trading Profit (\$ in millions)



Cost of sales, selling and administrative Cost of sales, selling and administrative expenses (expenses) increased 3.4% to \$1.314 billion but decreased 24 basis points as a percentage of sales compared to last year. New and non-comparable store expenses and the impact of the weaker Canadian dollar on the translation of International Operations expenses accounted for all of the dollar increase. On a comparable store basis excluding

 $^{2\ \ \}text{See Non-GAAP measures section on page 26}$

³ Earnings before interest and income taxes as a percentage of average net assets employed

the foreign exchange impact, expenses decreased 30 basis points as a percentage of sales. Lower operating costs in the Canadian Operations as a result of expense reduction initiatives, higher staff productivity and income earned from financial services contributed to the decrease in expenses.

Amortization Amortization expense increased \$3.1 million or 9.7% to \$35.2 million from 2008 due in part to amortization of new stores.

Interest expense Interest expense decreased 34.2% to \$5.5 million compared to \$8.3 million last year. The impact of lower interest rates during the year more than offset higher average debt levels compared to 2008. The average cost of borrowing was 2.4% compared to 4.3% in 2008 which more than offset higher average debt levels in 2009 compared to 2008.

Income tax expense The provision for income taxes increased 20.3% from \$6.5 million to \$7.8 million, for an effective tax rate of 8.8% in 2009 compared to 8.0% in 2008. This increase was due to higher earnings in the International Operations and a reduction in future income tax assets.

In the ordinary course of business, the Company is subject to ongoing audits by taxation authorities. While the Company believes that its tax filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the taxation authorities. The Company regularly reviews the potential for adverse outcomes and the adequacy of its tax provisions. The Company believes that it has adequately provided for these matters. If the final outcome differs materially from the tax provisions, the Company's income tax expense and its earnings could be affected positively or negatively in the period in which the matters are resolved.

A more detailed explanation of the income tax provision and future tax assets is provided in Note 14 to the consolidated financial statements.

Trading Profit & Net Earnings (\$ in millions)



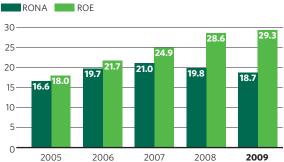
Net earnings Consolidated net earnings increased 8.5% to \$81.8 million or \$1.69 per unit on a diluted basis compared to \$1.56 per unit in 2008. In 2009, the Canadian dollar was on average weaker than the U.S. dollar compared to the first three quarters of 2008. The Canadian dollar's depreciation versus the U.S. dollar in 2008 had the following net impact on the 2009 results:

Sales	increase of \$19.0 million or 1.4%.
Trading profit	increase of \$1.2 million
Net earnings	increase of \$573,000

Total Assets Consolidated assets increased 2.4% to \$623.8 million compared to \$609.2 million in 2008 and were up 17.8% compared to \$529.7 million in 2007. The increase in consolidated assets is mainly due to new stores. Additional information on total assets for the Canadian and International Operations is included under operational net assets employed on page 9 and page 11 respectively.

Return on net assets employed decreased to 18.7% from 19.8% in 2008 while return on equity improved to 29.3% from 28.6% in 2008. Return on net assets decreased due to higher average net assets related to investments in information systems, new distribution centers and our head office renovation that have a longer term impact on productivity. Net assets were also higher due to planned increases in inventory in stores serviced by sea and winter road as well as temporary increases in inventory during the launch of new systems and distribution centers. Return on equity improved due to net earnings growth.

Return on Net Assets & Equity (%)



Total long-term liabilities Consolidated long-term liabilities decreased \$619,000 or 0.4% to \$161.9 million from 2008 but increased 16.9% from 2007. The increase in long-term liabilities from 2007 is largely due to the senior notes that were issued in June 2009 and increases in the Canadian Operations revolving loan facilities. Further information on long-term debt is included in the sources of liquidity and capital structure sections on page 12 and page 13 respectively.

Canadian Operations

2009 CANADIAN OPERATIONS STRATEGIC INITIATIVES

Initiative #1

Continue the development of store selling and control capability in the Northern Canada Retail division

Result

Progress on this initiative was mixed in 2009. Inventory shrinkage and controllable store operating expense initiatives met targets. Store selling initiatives fell short of target throughout the year but improvements were made towards meeting target in the fourth quarter.

Initiative #2

Improve store brand penetration

Result

147 new store brand products were launched in the year for a total of 361 and the penetration rate increased to 14.0% compared to 12.4% in 2008.

Initiative #3

Open three Giant Tiger stores

Result

Two Giant Tiger stores were opened.

Initiative #4

Warehouse efficiency improvements

Result

Warehouse efficiency improvements focused on three initiatives. Warehouse processing and shipping schedules were realigned in February 2009 which achieved the planned annualized savings of \$1.0 million. A warehouse management system was implemented mid-year with the anticipated benefits starting to be realized at the end of the year. The Alberta warehousing activity was transferred to Edmonton from Calgary to improve service to the stores. The savings from these initiatives were offset by training and start-up costs incurred during the system conversion and transition to a new distribution center in 2009 but the efficiencies gained are expected to provide ongoing benefits.

Initiative #5

Financial Services expansion

Result

The streamlined in-house version of our "Link" personal income tax service increased the number of returns prepared by 32% and revenue by 187% compared to last year.

Financial Performance Results of Canadian Operations are summarized by the key performance indicators used by management as follows:

Key Performance Indicators

(\$ in thousands)	2009	2008	2007
Sales	\$ 921,621	\$ 899,263	\$ 852,773
Same store sales % increase	1.1%	1.9%	6.9%
Trading profit ¹	\$ 96,599	\$ 90,606	\$ 87,410
EBIT ¹	\$ 69,872	\$ 66,105	\$ 64,776
Return on net assets	20.0%	20.9%	20.8%

¹ See Non-GAAP measures section on page 26

Sales Canadian sales increased 2.5% to \$921.6 million compared to \$899.3 million in 2008 and were up 8.1% or \$68.8 million compared to 2007. Same store sales increased 1.1% compared to a 1.9% increase in 2008. Food sales accounted for 72.0% (69.6% in 2008) of total Canadian sales. The balance was made up of general merchandise sales at 23.8% (25.9% in 2008) and other sales, which consists primarily of fuel sales and service charge revenue at 4.2% (4.5% in 2008).

Food sales increased by 5.9% over 2008 and were up 15.3% compared to 2007. Annual same store food sales increased 4.4% compared to 5.8% in 2008. Same store food sales were strong throughout the year with quarterly increases of 3.9%, 4.2%, 3.8% and 5.5%. Food sales increased in all categories with grocery, chilled foods, tobacco and nonfood grocery categories contributing the largest gains. More aggressive key selling day promotions, more opportunity buys and the expansion in value-priced, control-label products were factors in driving sales gains across all banners. Net inflation was 1.5% with product cost inflation being partially offset by lower fuel-related transportation costs.

General merchandise sales decreased 5.8% from 2008 and were down 8.6% compared to 2007. Same store sales decreased 7.7% compared to a decrease of 7.8% in 2008. On a quarterly basis, same store sales decreased 17.3%, 11.4% and 4.8% in the first three quarters before showing signs of recovery in the fourth quarter with an increase of 0.5%. The decrease in general merchandise sales was largely due to lower discretionary income related to general economic conditions in southern Canada and significantly lower resource development activity in the north. The decrease in discretionary income had the largest impact on sales in home furnishings and transportation which combined, accounted for 55.0% of the general merchandise sales decrease.

Other revenues, which include fuel, fur and service charge revenue, were down 3.1% from 2008 but increased 4.9% over 2007. The decrease in other revenues is primarily due to oil price deflation.

Sales Blend The table below shows the sales blend for the Canadian Operations over the past three years:

2009	2008	2007	
72.0%	69.6%	67.5%	
23.8%	25.9%	28.2%	
4.2%	4.5%	4.3%	
	72.0% 23.8%	72.0% 69.6% 23.8% 25.9%	72.0% 69.6% 67.5% 23.8% 25.9% 28.2%

Same Store Sales Canadian Operations have consistently achieved top-quartile same store food sales reflecting the Company's local market position as an everyday product and service provider amid generally robust consumer spending on these categories. Same store general merchandise sales have been more volatile because they are heavily weighted to bigticket durable goods that depend upon customers' discretionary income. Same store sales for the past three years are shown in the following table:

Same Store Sales

(% change)	2009	2008	2007
Food	4.4%	5.8%	6.8%
General merchandise	(7.7%)	(7.8%)	7.3%
Total sales	1.1%	1.9%	6.9%

Profitability Gross profit dollars for Canadian Operations increased by 1.3% as sales growth more than offset a 37 basis point decrease in gross profit rates. An increase in food gross profit, largely driven by sales gains, offset lower gross profit in general merchandise as a result of higher markdowns required to clear slow-moving seasonal and big-ticket merchandise and the impact of a lower mark-up strategy on electronics. Operating expenses were down 0.3% from 2008 and were down 60 basis points as a percentage of sales compared to last year. Expense reduction initiatives, staff productivity gains and income growth from financial services largely offset operating expenses from new stores. Trading profit from Canadian Operations increased \$6.0 million or 6.6% to \$96.6 million and was 10.5% as a percentage of sales compared to 10.1% in 2008.





1 EBIT and Trading Profit Margins on an equivalent year basis

Operational Net Assets Employed Operational net assets employed at January 31, 2010, increased 6.5% to \$329.3 million compared to \$309.3 million at January 31, 2009, as summarized in the following table:

Operational Net Assets Employed

(\$ millions at the end of the fiscal year)	2009	2008	2007
Property and equipment	\$ 183.8	\$ 173.9	\$ 160.4
Inventory	122.3	120.1	113.2
Accounts receivable	61.7	57.5	55.8
Other assets	41.4	34.7	23.5
Liabilities	(79.9)	(76.9)	(72.3)
Total	\$ 329.3	\$ 309.3	\$ 280.6

Property and equipment balances increased reflecting the opening of new stores, gas bars and pharmacies, store renovation projects, a new distribution facility in Edmonton, Alberta, the replacement of our food warehouse management system, corporate information systems upgrades and a major head office renovation project.

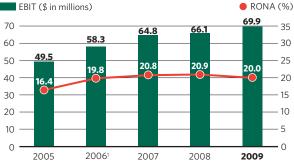
Inventory increased from the prior year primarily due to new stores and higher food inventories related to the opening of a new distribution center late in the fourth quarter. Average inventory levels were also higher throughout 2009 compared to 2008 due to an increase in food inventories in stores serviced by sea and winter road in order to realize cost advantages compared to air freight.

The increase in accounts receivable outstanding at year end is due to higher amounts owing on customer and commercial accounts receivable compared to 2008. Accounts receivable throughout the year was on average \$634,000 higher than 2008 but was \$1.8 million lower than 2007. From 2005 to 2009, average accounts receivable have decreased \$4.5 million reflecting a higher volume of cash sales.

Other assets increased largely due to a \$4.0 million special contribution to the Company's defined benefit pension plan to reduce the unfunded liability. The increase in liabilities over the prior year is due to higher trade accounts payable and an increase in accrued expenses.

Return on Net Assets The return on net assets employed for Canadian Operations decreased to 20.0% from 20.9% in 2008 due to the impact of higher average net assets compared to last year.

Canadian Return on Net Assets



1 EBIT and Return on net assets on an equivalent year basis

International Operations

(Stated in U.S. dollars)

International Operations include Alaska Commercial Company ("AC"), Cost-U-Less, Inc. ("CUL") which was acquired on December 13, 2007 and Span Alaska Enterprises, Inc. ("Span") acquired on March 3, 2008. AC, CUL and Span were merged into The North West Company (International) Inc. ("NWCI") on December 31, 2008.

2009 INTERNATIONAL OPERATIONS STRATEGIC INITIATIVES

Initiative #1

Cost-U-Less integration

Result

The integration of the merchandising systems was completed by July 1, 2009 and the procurement and marketing function between AC and CUL was consolidated into our NWCI Bellevue, Washington office. This completes the final phase of our post CUL acquisition integration with the additional expected annualized savings of \$300,000 being realized.

Initiative #2

Warehouse efficiency improvements

Result

The objective of this initiative was to improve the efficiency of NWCI warehouse operations by reducing the number of warehouse facilities from three to two. Two warehouse operations in Anchorage were consolidated into one facility and a distribution center in Monroe. Washington was replaced by a better suited facility at the Port of Tacoma, Washington. This restructuring of the warehouse activities was largely completed by the end of the year with full integration completed in February 2010. The changes will improve productivity in the warehouse and service to the stores and are expected to result in annualized savings of \$600,000 per year.

Initiative #3

Wholesale integration

Result

The branding, sales, systems and distribution integration was completed in February 2010, with NWCI's Span and Frontier Expeditors wholesale operations consolidated under the new name of Pacific Alaska Wholesale

Financial Performance International Operations results for the year are summarized below by the key performance indicators.

Key Performance Indicators

(\$ in thousands)	2009	2008	2007	
Sales	\$ 464,167	\$ 454,636	\$ 199,714	
Same store sales %	(2.1%)	6.9%	5.6%	
Trading profit ¹	\$ 29,902	\$ 29,165	\$ 18,062	
EBIT ¹	\$ 22,422	\$ 22,205	\$ 13,991	
Return on net assets	16.0%	17.2%	21.7%	

¹ See Non-GAAP measures section on page 26

Sales International sales increased 2.1% to \$464.2 million compared to \$454.6 million in 2008 and were up 132.4% or \$264.5 million compared to 2007 largely due to new stores. Same store sales decreased 2.1% compared to a 6.9% increase in 2008. Food sales accounted for 86.4% (83.6% in 2008) of total sales with the balance comprised of general merchandise at 12.8% (15.5% in 2008) and other sales, which consists primarily of fuel sales and service charge revenues, at 0.8% (0.9% in 2008).

Food sales increased 5.5% over 2008 and were up 148.2% compared to 2007 primarily due to new stores and strong sales growth in our wholesale operations, PAW. Same store food sales were up 0.6% compared to a 7.3% increase in 2008. Food sales started the year strong with quarterly same store sales increases of 4.9% and 2.3% but softened in the back half of the year with decreases of 2.1% and 2.2%. Food sales benefited from an increase in payments to low-income consumers under the U.S. federal government's Supplemental Nutrition Assistance Program however, deteriorating economic conditions combined with lingering high utility costs in rural Alaska negatively impacted same store food sales in the second half of the year. Sales in grocery, frozen foods and snack food categories had the largest gains compared to more expensive, highly perishable categories.

General merchandise sales decreased 15.9% from 2008 but were up 69.1% over 2007. On an annual basis, general merchandise same store sales were down 15.6% compared to an increase of 5.1% in 2008. General merchandise same store sales were weak all year with quarterly decreases of 13.8%, 11.6%, 25.4%, and 9.6%. Weaker economic conditions and the consequential impact on both tourism in our southern island markets and resource royalties in Alaska constrained consumer discretionary spending. In particular, a decrease in the Permanent Fund Dividend (PFD) in Alaska, which was \$1,305 this year compared to \$3,269 in 2008, was a significant factor contributing to the 25.4% same store general merchandise sales decrease in the third quarter. The largest impact was in the big-ticket categories of home furnishings, electronics and transportation which had a combined sales decrease of 23.9% compared to 2008 and accounted for approximately 48% of the overall decrease in general merchandise sales.

Other revenues, which consist of fuel and service charge revenue, were down 6.5% from 2008 due to oil price deflation.

Sales Blend The table below reflects the importance of food sales to the total sales of the International Operations:

	2009	2008	2007
Food	86.4%	83.6%	80.9%
General merchandise	12.8%	15.5%	17.6%
Other	0.8%	0.9%	1.5%

Same store sales for the past three years are shown in the following table:

Same Store Sales

(% change)	2009	2008	2007
Food	0.6%	7.3%	4.8%
General merchandise	(15.6%)	5.1%	8.8%
Total sales	(2.1%)	6.9%	5.6%

Profitability Gross profit dollars increased 3.3% over 2008 driven by new store sales growth and a 30 basis point gross profit rate improvement. The increase in gross profit rate was partially due to more efficient purchasing processes and lower buying costs facilitated by the consolidation of the NWCI procurement and marketing functions into our Bellevue, Washington office. A decrease in the sales blend of lower margin, big-ticket general merchandise categories was also a contributing factor. Operating expenses increased 4.0% over last year and were up 38 basis points as a percent of sales. Higher staff costs caused by a sharp rise in Company-funded medical insurance costs and one-time expenses related to the consolidation of our procurement and marketing functions in our Bellevue office and the consolidation of our wholesale operations and distribution facilities were the leading factors contributing to the increase in operating expenses. These factors were partially offset by a reduction in energy-related occupancy costs in southern island locations as a result of lower utility rates and investments in new energy efficient store lamping. Trading profit increased 2.5% to \$29.9 million compared to \$29.2 million in 2008 and as a percentage of sales was consistent with last year at 6.4%.

International EBIT & Trading Profit Margins (% of sales)



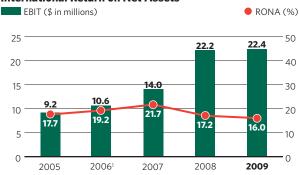
1 Equivalent year basis excluding \$1.4 million IRS housing benefit assessment

Operational Net Assets Employed

(\$ millions at the end of the fiscal year)	2009	2008	2007
Property and equipment	\$ 70.6	\$ 60.7	\$ 62.8
Inventory	52.2	49.9	49.2
Accounts receivable	9.4	8.9	6.9
Other assets	12.7	14.8	12.8
Liabilities	(31.3)	(30.0)	(37.0)
Total	\$ 113.6	\$ 104.3	\$ 94.7

International Operational net assets employed increased \$9.3 million or 8.9% from 2008 due largely to two stores opened during the year and the acquisition of a store and retail mall in Sitka, Alaska (see Note 22 to the consolidated financial statements).

International Return on Net Assets



1 Equivalent year basis excluding \$1.4 million IRS housing benefit assessment

Consolidated Liquidity and Capital Resources

The following table summarizes the major components of cash flow:

(\$ in thousands fiscal year)	2009	2008	Change
Cash flows from (used in):			
Operating activities	\$ 107,973	\$ 90,178	\$ 17,795
Investing activities	\$ (59,372)	\$ (49,435)	\$ (9,937)
Financing activities	\$ (47,053)	\$ (36,745)	\$ (10,308)
Net change in cash	\$ 1,548	\$ 3,998	\$ (2,450)

Cash from operating activities Cash flow from operating activities increased \$17.8 million to \$108.0 million from \$90.2 million in 2008. Changes in non-cash working capital negatively impacted cash flow from operating activities by \$6.7 million compared to a decrease in cash flow of \$17.5 million in 2008. The change in non-cash working capital is largely due to an increase in accounts receivable and inventories as noted in the Canadian and International operational net assets employed on pages 9 and 11 respectively. The decrease in cash flow from other non-cash items is due to the change in other assets in the Canadian Operations related to a \$4.0 million special contribution to the Company's defined benefit pension plan.

Cash used in investing activities Net cash used in investing activities was \$59.4 million compared to \$49.4 million in 2008. Net investing in Canadian Operations was \$39.6 million (\$36.0 million in 2008). A summary of the Canadian Operations investing activities is included in operational net assets on page 9. Net investing in International Operations was \$19.8 million compared to \$13.4 million in 2008. Investing activities in the International Operations include the \$12.2 million acquisition of the retail mall and store in Sitka, Alaska, store renovations, equipment replacements and energy conservation projects.

The following table summarizes the number of stores and selling square footage under NWC's various retail banners at the end of the fiscal year:

	Number of Stores		Selling squa	are footage
	2009	2008	2009	2008
Northern	127	127	720,773	718,690
NorthMart	7	7	148,306	152,141
Quickstop	15	14	28,571	24,463
Giant Tiger	31	29	509,078	479,660
AC Value Centers	29	28	290,403	271,892
Cost-U-Less	12	12	336,138	336,138
Other Formats	5	4	42,841	29,611
Total at year end	226	221	2,076,110	2,012,595

During the year, two Giant Tiger stores were opened in Canada. Total selling square feet in Canada increased to 1,423,329 from 1,395,661 in 2008.

In our International Operations, new stores included one AC Value Center and one Quickstop in Alaska and our first store under the Island Fresh banner in Chalan Pago, Guam (included in Other Formats). International selling square feet increased to 652,781 from 616,934 in 2008.

Net capital expenditures for 2010 are expected to be in the range of \$59 million (\$59.4 million in 2009) reflecting the opening and acquisition of new stores, store renovation and energy conservation projects, pharmacy openings and acquisitions, store point-of-sale system upgrades and the completion of a major head office renovation project.

Cash used in financing activities Cash used in financing activities was \$47.1 million compared to \$36.7 million in 2008. The decrease in bank advances is due to lower borrowings in the International Operations. Cash provided from long-term debt, net of repayments, was \$20.4 million compared to \$29.4 million in 2008. On June 15, 2009, the Company completed the private placement issuance of US\$70 million 6.55% senior notes which will mature June 15, 2014. The net proceeds were used to repay the US\$39 million senior notes which matured on June 15, 2009, to reduce bank debt and for general corporate purposes. The senior notes are secured by the assets of the Company. The Fund paid distributions of \$67.2 million or \$1.39 per unit, compared to \$67.7 million or \$1.40 per unit last year. Repayments of loans granted under the Company's Unit Purchase Loan Plan (UPLP) were \$4.9 million compared to \$1.0 million in 2008. There were no new loans granted during the year and the remaining loans under the UPLP mature January 31, 2011.

Sources of liquidity The Canadian Operations have available extendible, committed, revolving loan facilities of \$140.0 million that mature on December 31, 2011. These facilities are secured by a floating charge on the assets of the Company and rank pari passu with the senior notes. These facilities bear interest at Bankers Acceptance rates plus stamping fees or the Canadian prime rate. At January 31, 2010, the Company had drawn \$72.9 million (January 31, 2009 - \$90.0 million) on these facilities.

The Company's International Operations have available committed, non-revolving loan facilities of US\$52.0 million that mature on December 31, 2010. These facilities are secured by a floating charge against the assets of the Company and rank pari passu with the senior notes. These facilities bear interest at London Interbank Offered Rate (LIBOR) plus stamping fees or the U.S. prime rate. At January 31, 2010, the Company had drawn US\$52.0 million (January 31, 2009 - US\$52.0 million) on these facilities. The Company has started the process of refinancing the US\$52.0 million loan facility. Global economic conditions continue to result in uncertainty and volatility in the credit markets which may negatively impact the availability of credit, interest rates and covenants for companies seeking to refinance debt. Based on the current economic conditions, the Company does not anticipate any difficulty in securing financing to satisfy its maturing long-term debt however, these conditions could change which could impact the Company's ability to obtain financing. For further information on risks related to refinancing, see liquidity risk in the risk management section on page 20.

The International Operations also have available demand revolving loan facilities of US\$15.0 million at interest rates of U.S. prime. These loans are secured by a floating charge against accounts receivable and inventories of the International Operations. At January 31, 2010, the Company had US\$293,000 (January 31, 2009 - US\$4.8 million) in bank advances drawn on these facilities.

At January 31, 2010, the Canadian Operations have outstanding U\$\$70.0 million senior notes compared to U\$\$39.0 million at January 31, 2009. The U\$\$70.0 million senior notes have been designated as a hedge against the U.S. dollar investment in the self-sustaining International Operations. Of this amount, there is U\$\$42.0 million of the senior notes at a fixed interest rate of 6.55%. Interest on U\$\$28.0 million has been converted by an interest rate swap from fixed to floating rates at three-month LIBOR plus spreads. For more information on the senior notes and financial instruments see Note 9 and Note 20 to the consolidated financial statements.

The coverage ratio of EBIT to interest improved to 17.3 times from 10.9 times in 2008. The coverage ratio improved due to the impact of lower interest rates and an increase in EBIT.

Interest Costs and Coverage	2009	2008	2007
Coverage ratio	17.3	10.9	10.6
EBIT (\$ in millions)	\$ 95.1	\$ 90.2	\$ 79.6
Interest (\$ in millions)	\$ 5.5	\$ 8.3	\$ 7.5

The bank credit facilities and senior notes contain covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. The financial covenants include a fixed charge coverage ratio, minimum current ratio, a leverage test and a minimum net worth test. At January 31, 2010, the Fund is in compliance with all covenants under these facilities. Current and forecasted debt levels are regularly monitored for compliance with debt covenants.

Contractual Obligations and Other Commitments

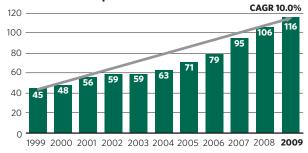
Contractual obligations of the Company are listed in the chart below:

(\$ in thousands)	Total	0-1 Year	2-3 Years	4-5 Years	6 Years+
Long-term debt (including capital lease obligations)	\$ 208,858	\$ 56,339	\$ 74,535	\$ 74,348	\$ 3,636
Operating leases	138,309	19,397	33,577	26,279	59,056
Other long-term liabilities	7,641	160	4,995	250	2,236
Total	\$ 354,808	\$ 75,896	\$ 113,107	\$100,877	\$ 64,928

Cash flow from operations and unutilized credit available on existing credit facilities are expected to be sufficient to fund operating requirements, sustaining and growth-related capital expenditures as well as anticipated distributions during 2010.

The compound annual growth rate (CAGR) for cash flow from operations over the past 10 years is 10.0% as shown in the following graph:

Cash Flow from Operations¹ (\$ in millions)



1 See Non-GAAP measures section on page 26

Trustee, Director and Officer Indemnification Agreements

The Company has agreements with its current and former trustees, directors and officers to indemnify them against charges, costs, expenses, amounts paid in settlement and damages incurred from any lawsuit or any judicial, administrative or investigative proceeding in which they are sued as a result of their service. Due to the nature of these agreements, the Company cannot make a reasonable estimate of the maximum amount it could be required to pay to counterparties. The Company has also purchased trustees', directors' and officers' liability insurance. No amount has been recorded in the financial statements regarding these indemnification agreements.

Other Indemnification Agreements The Company provides indemnification agreements to counterparties for events such as intellectual property right infringement, loss or damage to property, claims that may arise while providing services, violation of laws or regulations, or as a result of litigation that might be suffered by the counterparties. The terms and nature of these agreements are based on the specific contract. The Company cannot make a reasonable estimate of the maximum amount it could be required to pay to counterparties. No amount has been recorded in the financial statements regarding these agreements.

Capital Structure

On a consolidated basis, NWF had \$209.2 million in debt and \$289.9 million in equity at the end of the year and a debt-to-equity ratio of .72:1 compared to .78:1 last year. The decrease in the debt-to-equity ratio from last year is due in part to the strengthening Canadian dollar and the impact on the translation of U.S. denominated debt.

Capital Structure



The strength of the Fund's capital structure is reflected in the preceding chart. Over the past five years, the Fund's debt-to-equity ratio has ranged from .43:1 to .78:1 while annual cash distributions to unitholders have ranged from \$0.63 to \$1.40 over the same period. Equity has increased 19.5% to \$289.9 million over the past five years and interest-bearing debt has increased to \$209.2 million from \$111.7 million in 2005.

Loans receivable from officers and selected senior management under the unit purchase loan plan (UPLP) have decreased to \$6.4 million at January 31, 2010 from \$11.3 million at January 31, 2009. These loans, which are recorded as a reduction of equity, are secured by a pledge of 361,318 units of the Company with a quoted value at January 31, 2010 of \$6.5 million. The loans are non-interest bearing and repayable from the after-tax distributions or if the officer sells the units or leaves the Company. In 2008, the Trustees approved new unit-based long-term incentive plans for officers and senior management as a replacement for loans granted under the UPLP which mature January 31, 2011. The unit-based long term incentive plans include restricted and performance based units introduced in 2008 and options granted under the unit option plan approved in 2009. Further information on security-based compensation is provided in Note 19 to the consolidated financial statements.

Consolidated debt at January 31, 2010 decreased \$3.9 million or 1.8% to \$209.2 million compared to \$213.0 million in 2008 and was up 30.9% from \$159.8 million in 2007. The decrease in debt is due in part to an increase in U.S. denominated debt and the impact of the stronger Canadian dollar on the translation of U.S. denominated debt. The exchange rate used to translate U.S. denominated debt into Canadian dollars was 1.0650 at January 31, 2010 compared to 1.2364 at January 31, 2009 which resulted in a \$22.1 million decrease in long-term debt. The Company's U.S. denominated debt that was not subject to cross-currency swaps increased to US\$129.0 million in 2009 compared to US\$99.3 million in 2008 and US\$103.5 million in 2007. This increase was largely due to the US\$70.0 million 6.55% senior notes issued in 2009, the proceeds of which were used to repay the remaining US\$39.0 million of the US\$65.0 million 5.89% senior notes that matured on June 15, 2009 and to reduce amounts outstanding under the revolving loans. The debt outstanding at the end of the fiscal year is summarized as follows:

Debt

(\$ in thousands at the end of the fiscal year	2009	2008	2007	
Senior notes	\$	73,481	\$ 48,411	\$ 57,292
Revolving loan facilities		72,853	90,031	41,919
Non-revolving loan facilities		55,380	64,293	52,114
Notes payable		5,567	1,799	1,726
Capital leases		1,577	2,518	2,446
Bank advances		312	5,974	4,336
Total	\$	209,170	\$ 213,026	\$ 159,833

Unitholder Equity The Fund has an unlimited number of units authorized and had issued and outstanding units at January 31, 2010 of 48,378,000 (48,378,000 as at January 31, 2009). Further information on the Fund's capital is provided in Note 11 to the consolidated financial statements.

Book value per unit, on a diluted basis, at the end of the year increased to \$6.12 from \$5.90 in 2008. Book equity was positively impacted by an increase in retained earnings of \$15.1 million (\$9.9 million in 2008) after distributions of \$66.8 million (\$65.3 million in 2008).

Unitholder Distributions The Fund paid distributions of \$67.2 million or \$1.39 per unit compared to \$67.7 million or \$1.40 per unit paid in 2008. In 2009, the Company made a \$4.0 million special contribution to reduce the unfunded liability of the defined benefit pension plan which reduced the amount of income available for distribution to unitholders by approximately \$0.08 per unit. The following table shows the quarterly cash distributions per unit paid for the past three years:

	2009	2008	2007
First Quarter	\$ 0.32	\$ 0.32	\$ 0.22
Second Quarter	0.32	0.32	0.27
Third Quarter	0.34	0.32	0.27
Fourth Quarter	0.34	0.32	0.27
Special	0.07	0.12	0.10
Total	\$ 1.39	\$ 1.40	\$ 1.13

The determination to declare and make payable distributions from the Fund is subject to the terms of the Fund's Declaration of Trust and the discretion of the Board of Trustees. The Fund's distribution policy is to make distributions to unitholders equal to the taxable income of the Fund. Historically, distributions from the Fund represented taxable income and did not include a return of unitholder capital. Management believes distributions in 2010 will continue to represent taxable income.

In determining the quarterly distributions, the Trustees consider, among other factors, the seasonal variations in earnings inherent in the retail industry in order to maintain stable distributions throughout the year. On an annual basis, distributions are funded by cash flow from operations. Due to the seasonal nature of the retail business, whereby income and cash flow are historically lower in the first quarter and higher in the fourth quarter, distributions in a quarter may exceed cash flow from operations. The taxable income of the Fund is primarily based on an allocation of the taxable income of The North West Company LP less Fund expenses. In addition to the quarterly distributions, a special year end distribution will be declared to unitholders if the taxable income of the Fund exceeds the cumulative distributions for the year. A special distribution of \$0.06 per unit was paid February 19, 2010 to unitholders of record on December 31, 2009 (\$0.07 per unit was paid February 20, 2009 to unitholders of record on December 31, 2008). Further information on distributions is included in Note 23 to the consolidated financial statements.

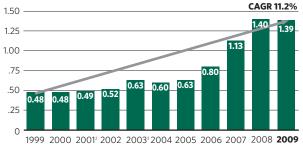
The following table shows distributions paid in comparison to cash flow from operations and cash flow from operating activities for the past three years:

	2009	2008	2007
Distributions	\$ 67,245	\$ 67,730	\$ 54,667
Cash flow from operations ¹	\$ 116,486	\$ 106,324	\$ 94,739
Distributions as a % of cash flow from operations	57.7%	63.7%	57.7%
Cash flow from operating activities	\$ 107,973	\$ 90,178	\$ 93,591
Distributions as a % of cash flow from operating activities	62.3%	75.1%	58.4%

¹ See Non-GAAP measures section on page 26

The compound annual growth rate (CAGR) for distributions over the past 10 years is 11.2% as shown in the following graph:

Distributions Per Unit¹



- 1 All per unit information has been restated to reflect the three-for-one unit split that occurred on September 20, 2006
- 2 The Fund issued 4,305,000 additional units on a split adjusted basis
- 3 The Fund paid a special distribution of 0.11 per unit on a split adjusted basis

CONVERSION TO A SHARE CORPORATION

Management and the Board of Trustees have reviewed the impact of the specified investment flow-through entities ("SIFT") Tax Rules and the related tax implications on the Fund. The SIFT Rules impose a new entity-level tax on distributions from certain SIFTs, such as the Fund, commencing January 1, 2011. Our assessment is that the Fund should remain structured as a trust until this date at which time we expect to use the SIFT conversion rules to complete a tax-deferred conversion into a publicly-traded share corporation. Conversion of the Fund to a publicly-traded share corporation is expected to provide the following benefits:

- A simplified tax and legal structure that is more comparable to public companies operating in Canada and internationally;
- Greater access to capital markets as the business continues to expand; and
- The potential of attracting new investors thereby improving the liquidity of the securities.

A number of income trusts in Canada have either converted or announced their intention to convert to a corporate structure. Management and the Board of Trustees believe that the conversion of the Fund to a publicly-traded share corporation is in the best interests of unitholders and the business and we will

be seeking unitholder approval of the proposed conversion at the Fund's annual and special meeting of unitholders scheduled for June 10, 2010. In addition to unitholder approval, the conversion to a corporate structure is also subject to customary court, regulatory, and third party approvals. The details of the conversion, which will be completed through a plan of arrangement, is contained in the Management Information Circular which is anticipated to be mailed to unitholders on or before April 30, 2010.

Whether or not the Fund converts to a corporation or remains structured as an income trust, the Canadian earnings will be subject to income taxes commencing January 1, 2011 at a combined federal and provincial tax rate of approximately 30%. Upon converting back to a corporate structure, it is the Company's intention to pay quarterly dividends of approximately the after-tax amount of the quarterly distributions prior to conversion. While higher corporate taxes will reduce NWC's net earnings available for distribution, the after-tax impact on personal income is largely offset for taxable investors benefiting from the dividend tax credit. The following illustration* shows the impact of taxation on distributions and the dividend tax credit available to qualifying owners based on 2009 tax rates:

	Trust	Corpo	ration
Taxable income ¹	\$ 1.36	\$	1.36
Corporate income tax at 31% ²	-		(0.42)
After-tax income available for distribution/dividend	\$ 1.36	\$	0.94
Individual income tax			
Trust distribution (other income) marginal tax rate ³	46.4%		-
Eligible dividend marginal tax rate 4	-		23.1%
Individual income tax payable	\$ (0.63)	\$	(0.22)
After-tax distribution/dividend	\$ 0.73	\$	0.72
Implied after-tax yield (March 26, 2010 closing price \$18.31)	4.0%		3.9%

- 1 Annualized income based on current distribution of \$0.34 per quarter
- 2 The effective tax rate based on substantively enacted tax rates applicable to the Fund is approximately 31%
- 3 Based on combined federal and provincial tax rates for individuals residing in Ontario with taxable income greater than \$126,000 in 2009
- 4 Based on combined federal and provincial eligible dividend tax rates for qualifying individuals residing in Ontario with taxable income greater than \$126.000 in 2009
- * Readers are cautioned that the illustration is based upon the corporate and individual tax rates in effect in 2009. The results wil vary based upon corporate and individual income tax rates in effect, the province of residence and the taxable income for the taxpayer

Based on the current annualized distributions of \$1.36, the Company anticipates paying dividends of approximately \$0.96 annually or \$0.24 per quarter in 2011. As noted above, the dividends paid will provide qualifying owners with the benefit of the dividend tax credit which is not applicable to current distributions from the Fund. Dividends will be subject to the approval of the Board of Directors and will be based on, among other factors, the financial performance of the Company and its anticipated business needs.

QUARTERLY FINANCIAL INFORMATION

Historically, the Company's first quarter sales are the lowest and fourth quarter sales are the highest, reflecting consumer holiday buying patterns. Weather conditions are often more extreme compared to other retailers and can affect sales in any quarter. Net earnings generally follow higher sales but can be dependent on markdown activity in key sales periods to reduce excess inventories. Net earnings are historically lower in the first quarter due to lower sales and fixed costs such as rent and overhead that apply uniformly throughout the year.

The following is a summary of selected quarterly financial information:

(\$ thou	sand	s)	Q1		Q2		Q3		Q4	Total
Sales										
2009	\$	345,	621	\$	367,469	\$	360,764	\$	370,512	\$ 1,444,366
2008	\$	315,	468	\$	342,358	\$	359,081	\$	375,727	\$ 1,392,634
Trading	gprof	fit								
2009	\$	27,	548	\$	34,318	\$	36,062	\$	32,346	\$ 130,274
2008	\$	25,	922	\$	30,642	\$	33,522	\$	32,171	\$ 122,257
Net ear	ning	s								
2009	\$	16,	133	\$	20,483	\$	24,970	\$	20,227	\$ 81,813
2008	\$	15,	235	\$	18,434	\$	22,065	\$	19,644	\$ 75,378
Earning	gs pe	r un	it—ba	asic						
2009	\$	(0.34	\$	0.43	\$	0.52	\$	0.42	\$ 1.71
2008	\$	(0.32	\$	0.39	\$	0.46	\$	0.41	\$ 1.58
Earning	Earnings per unit—diluted									
2009	\$	(0.33	\$	0.43	\$	0.51	\$	0.42	\$ 1.69
2008	\$	(0.32	\$	0.38	\$	0.46	\$	0.40	\$ 1.56

Fourth Quarter Highlights Fourth quarter consolidated sales decreased 1.4% to \$370.5 million compared to \$375.7 million in 2008. Excluding the foreign exchange impact, sales increased 3.9% and were up 1.6% on a same store basis. Food sales increased 5.3% and were up 2.8% on a same store basis. General merchandise sales 1 decreased 0.6% and were down 1.6% on a same store basis. Sales growth in our Canadian Operations partially offset softer performance and the negative impact of foreign exchange on the conversion of U.S. denominated sales in our International Operations.

Cost of sales, selling and administrative expenses decreased 1.6% to \$338.2 million and decreased 17 basis points as a percentage to sales compared to the fourth quarter of 2008. The decrease was mainly due to the impact of the stronger fourth quarter average Canadian dollar on the translation of U.S. denominated International Operations expenses compared to last year.

Trading profit or earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 0.5% to \$32.3 million compared to \$32.2 million in the fourth quarter last year. Trading profit gains in Canada driven largely by sales growth offset a decrease in International Operations trading profit. Interest expense decreased 29.2% to \$1.3 million as a result of lower interest rates in the quarter.

1 Excluding the foreign exchange impact

Net earnings increased \$583,000 or 3.0% to \$20.2 million. Diluted earnings per unit were up 5.0% to \$0.42 compared to \$0.40 last year. The stronger Canadian dollar in the quarter compared to last year negatively impacted the conversion of earnings from the International Operations by \$0.01 per unit on a fully diluted basis.

Working capital increased 0.9% or \$1.0 million compared to the fourth quarter last year due to lower bank advances in the International Operations. The increase in the current portion of long-term debt is due to the US\$52.0 million credit facility which matures December 31, 2010 compared to the US\$39.0 million of senior notes which matured June 15, 2009.

Cash flow from operating activities in the quarter decreased \$3.2 million to \$37.7 million from \$40.9 million last year. The decrease in cash flow from operating activities is due to the change in non-cash working capital largely due to an increase in accounts receivable and a decrease in accounts payable in the quarter compared to the prior year. The change in other noncash items is due to the increase in other assets related to a \$4.0 million special contribution to the Company's defined benefit pension plan. Cash flow from operations increased \$4.3 million or 15.6% to \$32.2 million due primarily to the increase in net earnings and the change in future income taxes in the quarter compared to last year.

Cash used for investing activities in the quarter decreased to \$11.7 million compared to \$16.9 million last year due to a difference in the timing of capital investments.

Cash used for financing activities in the quarter was \$35.0 million compared to \$26.4 million last year. The change in bank advances is due to a reduction in the amount outstanding under the International Operations credit facility. Repayments received on loans issued to officers under the Unit Purchase Loan Plan (UPLP) were \$3.0 million in the quarter. The remaining UPLP loans mature January 31, 2011. The Fund paid distributions of \$16.4 million, an increase of 6.2% compared to \$15.5 million last

DISCLOSURE CONTROLS

Management has established and maintained disclosure controls and procedures for the Company in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on an evaluation of the Company's disclosure controls and procedures, as required by National Instrument 52-109, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures were designed and operated effectively as of January 31, 2010 to provide reasonable assurance that the information to be disclosed is recorded, summarized and reported as required.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial reporting. Based on an evaluation of the Company's internal controls over financial reporting using the framework published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO Framework), the Company's Chief Executive Officer and Chief Financial Officer have concluded that the internal controls over financial reporting were designed and operated effectively as of January 31, 2010 to provide reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in the internal controls over financial reporting during the year ended January 31, 2010 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

OUTLOOK

2010 sales are expected to be generally stronger, led by our Canadian business. The contributing factors should be the momentum of the Canadian economic recovery, as reflected by government infrastructure investment and recovery in natural resource development spending. Durable goods sales are also expected to recover modestly due to customer replacement needs.

Sales and margin pressure are expected to continue within NWCI's CUL banner due to ongoing weakness in the tourism sector coupled with more intense competition. NWCI's other major market, Alaska, is expected to demonstrate the recovery characteristics of our Canadian business, although to a lesser degree.

Net earnings will be affected by several other factors, most notably higher pension expense in Canadian Operations due to the interest rates used to determine pension liabilities, expected higher floating interest rates and continuing health insurance cost pressures at NWCI. The strengthening of the Canadian dollar in the fourth quarter of 2009 is expected to carry forward into 2010 and, if this occurs, there will be a negative effect on the conversion of U.S. denominated NWCI sales and earnings.

RISK MANAGEMENT

North West Company Fund is exposed to a number of risks in its business. The descriptions of the risks below are not the only ones facing North West Company Fund. Additional risks and uncertainties not presently known to the Company, or that the Company deems immaterial, may also impair the operations of the Company. If any of such risks actually occur, the business, financial condition, liquidity, and results of operations of the Company could be materially adversely affected. Readers of this MD&A are also encouraged to refer to North West Company Fund's Annual Information Form and Management Information Circular which provides further information on the risk factors facing the Company. While the Company employs strategies to minimize these risks, these strategies do not guarantee that events or circumstances will not occur that could negatively impact the Company's financial condition and performance. Careful consideration should be given to the following risk factors which include, but are no limited to, the following:

Retail Industry and Economic Environment External factors which affect customer demand, and over which the Company exercises no influence, include general economic growth, inflation, interest rates, personal debt levels, unemployment rates and levels of personal disposable income. In an economic downturn, discounting by major retailers may result in more out-shopping by consumers from the Company's markets which may negatively impact sales and gross profit. Changes in the inflation rate are unpredictable and may impact the cost of merchandise and the prices charged to consumers which in turn could negatively impact sales and net earnings. Although our core customer is a lower income shopper with relatively stable income sources, a recession or significant and prolonged decline in consumer spending could have an adverse effect on the financial condition and results of operations. Management regularly monitors economic conditions and considers factors which can affect customer demand in making operating decisions and the development of strategic initiatives and long-range plans.

Consumer Income Our largest customer segment derives most of its income directly or indirectly from government infrastructure spending or direct payment to individuals in the form of social assistance, food subsidy programs, child tax benefits and old age security. These tend to be stable sources of income, independent of economic cycles. A major source of employment income is generated from local government and spending on infrastructure projects. This includes new housing, schools, healthcare facilities, military facilities, roads and sewers. Local employment levels will fluctuate from year-to-year depending on a community's fiscal health, especially near the end of the government budget year. A similar fluctuating source of income is employment related to tourism and natural resource development and extraction activities. A significant or prolonged reduction in government transfers, spending on infrastructure projects, natural resource development and tourism spending would have a negative impact on consumer income which in turn could result in a decrease in sales and gross profit, particularly for more discretionary general merchandise items

Competition We have a leading market position in a large percentage of the markets we serve. Sustaining and growing this position depends on our ability to continually identify and pursue new sales opportunities while defending our current positions through a superior value offer to our customers. We actively monitor competitive activity and we are proactive in adjusting and enhancing our value offer elements, ranging from in-stock position to service and pricing.

Community Relations Approximately 40% of our sales are derived from communities and regions that restrict commercial land ownership and usage by non-indigenous or non-local owned businesses or which have enacted policies and regulations to support locally-owned businesses. We successfully operate within these environments through initiatives that promote positive community and customer relations. These include store lease arrangements with community-based development organizations, initiatives to recruit local residents into management positions, increase indigenous or Aboriginal participation in our Board of Trustees, and direct investment in the North West Company Fund by locally-owned entities.

Employee Development and Retention Retaining and developing high calibre employees is essential to effectively managing our business, executing our strategies and meeting our objectives. Due to the vast geography and remoteness of the Company's markets, there is significant competition for talent and a limited number of experienced personnel, particularly at the store management level. The degree to which the Company is not successful in retaining and developing employees and establishing appropriate succession plans could lead to a lack of knowledge, skills and experience required to effectively run our operations and execute our strategies. In addition to compensation programs that are designed to attract and retain qualified personnel, the Company also continues to implement and refine initiatives such as comprehensive store-based manager-in-training programs and the Company's in-depth leadership development program, "@NWC". These types of programs are long term change management investments that continue to be refined.

Food Safety The Company is exposed to risks associated with food safety and product handling. Food sales represent approximately 77% of total Company sales. A significant outbreak of a food-borne illness or increased public concerns with certain food products could have an adverse effect on the financial condition and results of operations. The Company has food preparation, handling and storage procedures which help mitigate these risks. The Company also has product recall procedures in place in the event of a food-borne illness outbreak however, the existence of these procedures does not eliminate the underlying risks.

Energy Costs Compared to other retailers, the Company is more exposed to fluctuations in the price of energy, particularly oil. Due to the vast geography of the store network, transportation costs are a significant component of the Company's expenses. The majority of stores are inaccessible by all-weather roads and as a result, stores are serviced by different modes of transportation including sealift, barge, trucks via winter roads, rail and air. In addition to transportation costs, heating costs also comprise a relatively large portion of the general overhead costs. To the extent that escalating fuel and utility costs cannot be offset by energy conservation practices or offsetting productivity gains, they may result in lower margins or higher retail prices. Consumer spending, especially on discretionary items, may also be adversely effected.

Income Taxes The Company accounts for income taxes using the liability method of tax allocation. Under the liability method, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax base of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax or liabilities are expected to be realized or settled. The provision for income taxes is recorded in the Company at applicable statutory rates.

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the tax authorities. The Company regularly reviews the potential for adverse outcomes and the adequacy of its tax provisions. The Company believes that it has adequately provided for these matters. If the final outcome differs materially from the tax provisions, the Company's income tax expense and its earnings could be effected positively or negatively in the period in which the matters are resolved.

The Fund is an inter vivos trust for income tax purposes. All income of the Fund is distributed to unitholders and, as such, no income tax is payable by the Fund. On June 22, 2007, new legislation was passed (the "SIFT Rules") which imposes a new entity-level tax on distributions from certain specified investment flow-through entities (SIFTs) such as the Fund commencing January 1, 2011. The application of the SIFT Rules is delayed until January 1, 2011 provided the Fund is not considered to have undergone an "undue expansion" in the interim period. The SIFT Rules will result in a reduction in the cash available for distribution to unitholders by the amount of the tax paid or payable by the Fund and the distributions to unitholders will be characterized as dividends. In the event that "undue expansion" has occurred, the adverse tax consequences resulting from SIFT Rules could be realized sooner than January 1, 2011.

On March 12, 2009, the SIFT Rules were passed into legislation. This legislation specifies that the SIFT tax rate will be the federal general corporate income tax rate (which is anticipated to be 16.5% in 2011 and 15.0% in 2012) plus the provincial SIFT tax rate. The provincial SIFT tax rate is based on the general provincial corporate income tax rate in each province in which the Trust has a permanent establishment. For purposes

of calculating this component of the tax, the general corporate taxable income allocation formula is used. Taxable distributions that are not allocated to any province would instead be subject to a 10.0% rate constituting the provincial component. Based on the application of the SIFT Rules and substantively enacted tax rates, the Fund expects to have an effective tax rate of approximately 30% in 2011 and 28% in 2012.

Amendments to the SIFT Rules include rules (the "Conversion Rules") which facilitate the tax-deferred conversion of publicly-traded income trusts into publicly-traded corporations, provided that certain conditions set out therein are met, including that the conversion occur before 2013.

Management and the Board of Trustees have reviewed the impact of the SIFT Rules and the related tax implications on the Fund. Our current assessment is that the Fund should remain structured as a trust until January 1, 2011 at which time we expect to complete a tax deferred conversion into a publicly-traded share corporation (See Conversion to a Share Corporation on page 15). The conversion to a publicly-traded share corporation is subject to approval by unitholders as well as customary court and regulatory approvals.

Insurance The Company manages its exposure to certain risks through an integrated insurance program which combines an appropriate level of self-insurance and the purchase of various insurance policies. The Company's insurance program is based on various lines and limits of coverage. Insurance is arranged with financially stable insurance companies as rated by the professional rating agencies. There is no guarantee that any given risk will be mitigated in all circumstances.

Climate Weather conditions can play a significant role in the operation of the stores of the Fund's operating subsidiaries. These weather conditions can range from blizzards to hurricanes and cyclones, and can cause loss of life, damage to and destruction of key stores. Such losses may have an adverse effect on the financial condition and results of operations. As well, any global warming conditions would have a more pronounced effect, both positive and negative, on the Fund's most northern latitude stores. The stores located in the South Pacific, Caribbean and coastal areas of Alaska are also at risk from tsunamis which can result in loss of life and destruction of assets.

Information Technology The Company relies on information technology (IT) to support the current and future requirements of the business. IT systems are relied upon to provide essential information to management for decision making. Any significant failure or disruption in IT systems, or the failure to successfully upgrade legacy systems or implement new systems could have an adverse effect on the financial condition and results of operations.

Laws and Regulations The Company is subject to various laws and regulations administered by federal, provincial and foreign regulatory authorities, including but not limited to taxes, duties, currency repatriation, zoning, health and safety, employment standards and licensing requirements. These laws and their interpretation by various courts and agencies are subject to change. In the course of complying with such changes, the Company may incur significant costs. Failure by the Company to fully comply with applicable laws and regulations could result in financial penalties, assessments, sanctions, or legal action that could have an adverse effect on the business, financial condition or results of operations.

Management of Inventory Success in the retail industry is dependent upon the ability to manage merchandise inventories in proportion to the demand for such merchandise. A miscalculation of consumer demand for merchandise could result in having excess inventory for some products and missed sales opportunities for others. Excess inventory may result in higher markdowns or inventory shrinkage all of which could have an adverse effect on the financial condition and results of operations.

Vendor and Service Partner Management The Company relies on a broad base of manufacturers and suppliers to provide goods and services. Events or disruptions affecting these suppliers outside of the Company's control could in turn result in delays in the delivery of merchandise to the stores and therefore negatively impact the results of operations. A portion of the merchandise the Company sells is purchased offshore. Offshore sourcing could provide products that contain harmful or banned substances or do not meet the required standards. The Company uses offshore consolidators and sourcing agents to monitor product quality and reduce the risk of sub-standard products however there is no certainty that these risks can be completely mitigated in all circumstances.

Ethical Business Conduct The Company has a Code of Conduct Policy which employees and Trustees are required to acknowledge and confirm their compliance on a regular basis. The Business Ethics Committee monitors compliance with the Code of Conduct policy. The Company also has a Vendor Information Manual which outlines the Company's expectations for the ethical conduct of its vendors. Unethical business conduct could negatively impact the Company's reputation and relationship with its customers, investors, and employees, which in turn could have an adverse effect on the financial condition and results of operations.

Geopolitical Changes in the domestic or international political environment may impact the Company's ability to source and provide products and services. Acts of terrorism, riots, and political instability could have an adverse effect on the financial condition and results of operations.

Employee Future Benefits The Company engages professional investment advisors to manage the assets in the defined benefit pension plans. The performance of the Company's pension plans and the plan funding requirements are impacted by the returns on plan assets, actuarial valuations and regulatory funding requirements. The Company regularly monitors and assesses the performance of the pension plan assets and the impact of changes in capital markets, changes in plan member demographics, and other economic factors that may impact funding requirements, employee future benefit plan expenses and actuarial assumptions. In 2009, the Company made a \$4.0 million special contribution to reduce the unfunded liability of the defined benefit plans. If capital market returns are below the level estimated by management, or if the discount rate used to value the liabilities of the plans decreases, the Company may be required to make contributions to its defined benefit pension plans in excess of those currently contemplated, which may have an adverse effect on the Company's financial condition and results of operations.

Financial Risks In the normal course of business, the Company is exposed to financial risks that have the potential to negatively impact its financial performance. These risks and the actions taken to minimize the risks are described below. See Note 20 to the consolidated financial statements for additional information on the Company's financial instruments and associated risks.

Credit Risk Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily in relation to individual and commercial accounts receivable. The Company manages credit risk by performing regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. The Company does not have any individual customers greater than 10% of total accounts receivable.

Liquidity Risk Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company manages liquidity risk by maintaining adequate credit facilities to fund operating requirements and sustaining and growth-related capital expenditures and regularly monitoring actual and forecasted cash flow and debt levels. At January 31, 2010, the Company has a US\$52.0 million credit facility that matures on December 31, 2010. The Company has started the process of refinancing this credit facility. Global economic conditions continue to result in uncertainty and volatility in the credit markets which may negatively impact the availability of credit, interest rates and covenants for Companies seeking to refinance debt. To the extent the Company cannot meet its obligations or refinance its debt when it comes due, or can do so only at an excessive cost, this may have an adverse effect on the financial condition and results of operations. For further information on credit facilities see Note 8 and Note 9 to the consolidated financial statements.

Currency Risk Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk, primarily the U.S. dollar, through its net investment in self-sustaining International Operations and its U.S. dollar denominated borrowings. The Company manages its exposure to currency risk by hedging the net investment in self-sustaining foreign operations with a portion of U.S. dollar denominated borrowings. The Company is also exposed to currency risk relating to the translation of International Operations earnings from U.S. dollars to Canadian dollars. During 2009, the Canadian dollar was on average weaker than the U.S. dollar compared to 2008. The weakening Canadian dollar increased the translation of U.S. denominated net earnings from International Operations by \$573,000 in 2009.

Interest Rate Risk Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily through its long-term borrowings. The Company manages exposure to interest rate risk by using a combination of interest rate swaps and a mixture of fixed and floating interest rate debt.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. Management continually evaluates the estimates and assumptions it uses. These estimates and assumptions are based on management's historical experience, knowledge of current events, expectations of future outcomes and other factors that management considers reasonable under the circumstances. Actual results could differ from these estimates as confirming events occur. The estimates and assumptions described in this section depend upon subjective or complex judgments about matters that may be uncertain and changes in these estimates and assumptions could materially impact the consolidated financial statements.

Valuation of Accounts Receivable The Company records an allowance for doubtful accounts related to accounts receivable that may potentially be impaired. The allowance is based on the aging of the accounts receivable, our knowledge of our customers' financial condition, the current business environment and historical experience. A significant change in one or more of these factors could impact the estimated allowances for doubtful accounts recorded in the consolidated balance sheet and the provisions for debt loss recorded in the consolidated statement of earnings and retained earnings.

Valuation of Inventories Retail inventories are stated at the lower of cost and net realizable value. Significant estimation or judgment is required in the determination of: (1) discount factors used to convert inventory to cost after a physical count at retail has been completed; (2) recognizing merchandise for which the customer's perception of value has declined and appropriately marking the retail value of the merchandise down to the perceived value; and (3) estimating inventory losses, or shrinkage, occurring between the last physical count and the balance sheet date.

Food inventories counted at retail are converted to cost by applying a discount factor to retail selling prices. This discount factor is calculated in relation to historical gross margins and is reviewed on a regular basis for reasonableness. General merchandise inventories counted at retail are converted to cost by applying average cost factors by merchandise category. These cost factors represent the average cost-to-retail ratio for each merchandise category based on beginning inventory and purchases made throughout the year.

Inventory shrinkage is estimated as a percentage of sales for the period from the date of the last physical inventory count to the balance sheet date. The estimate is based on experience and the most recent physical inventory results. To the extent that actual losses experienced vary from those estimated, both inventories and cost of sales may be impacted.

Changes or differences in these estimates may result in changes to inventories on the consolidated balance sheet and a charge or credit to cost of sales in the consolidated statement of earnings and retained earnings.

Employee Future Benefits The cost and accrued benefit plan obligations of the Company's defined benefit pension plans are accrued based on actuarial valuations which are dependent on assumptions determined by management. These assumptions include the discount rate used to calculate benefit plan obligations, the expected long-term rate of return on plan assets, the rate of compensation increase, retirement ages, and mortality rates. These assumptions are reviewed by management and the Company's actuaries.

The discount rate used to calculate benefit plan obligations, the expected long-term rate of return on plan assets and the rate of compensation increase are the three most significant assumptions. The discount rate used to calculate benefit plan obligations is based on market interest rates, as at the Company's measurement date of January 31, 2010 on a portfolio of Corporate AA bonds with terms to maturity that, on average, match the terms of the accrued benefit plan obligations. The discount rates used to measure the benefit plan obligations for fiscal 2009 and 2008 were 6.0% and 7.0% respectively. The expected long-term rate of return on plan assets is based on historical returns, the asset mix and current investment yields. The expected long-term rate of return on plan assets for fiscal 2009 and 2008 is 6.5%. Management assumed the rate of compensation increase for fiscal 2009 and 2008 at 4%.

These assumptions may change in the future and may result in material changes in the accrued employee future benefit asset on the Company's consolidated balance sheet and the benefit plan expense on the consolidated statement of earnings and retained earnings. The magnitude of any immediate impact, however, is mitigated by the fact that net actuarial gains and losses in excess of 10% of the greater of the accrued benefit plan obligations and the market value of the benefit plan assets are amortized on a straight-line basis over the average remaining service period of the employees expected to receive the benefits under the plan. Changes in financial market returns and interest rates could also result in changes to the funding requirements of the Company's defined benefit pension plans. Additional information regarding the Company's employee future benefits is provided in Note 17 of the consolidated financial statements.

Impairment of Long-lived Assets The Company periodically assesses the recoverability of values assigned to long-lived assets after considering potential impairment indicated by such factors as business and market trends, future prospects, current market value and other economic factors. In performing its review of recoverability, management estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying value of the asset, an impairment loss would be recognized based on the excess of the carrying value of the asset over the fair market value calculated using discounted future cash flows. The underlying estimates for cash flows include estimates for future sales, gross margin rates and store expenses, and are based upon the stores' past and expected future performance. Changes which may impact future cash flows include, but are not limited to, competition, general economic conditions and unrecoverable increases in operating costs. To the extent that management's estimates are not realized, future assessments

could result in impairment charges that may have a significant impact on the Company's consolidated balance sheet and consolidated statement of earnings and retained earnings.

Goodwill Goodwill is not amortized but is assessed for impairment at the reporting unit level at least annually. The potential for goodwill impairment is determined by comparing the fair value of a reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired. If the carrying value of the reporting unit exceeds its fair value, a more detailed goodwill impairment test must be undertaken. A goodwill impairment loss is recorded when the carrying value of goodwill exceeds the implied fair value of the reporting unit and is recognized as an expense in the period the impairment is determined. The process of determining fair value requires management to make estimates and assumptions including, but not limited to, future sales, gross profit rates, earnings, capital investment, discount rates, weighted average cost of capital and growth rates. These estimates and assumptions are subject to change in the future due to changes in competitive and economic market conditions or changes in business strategies. To the extent that management's estimates are not realized, future assessments could result in impairment charges that may have a significant impact on the Company's consolidated balance sheet and consolidated statement of earnings and retained earnings.

The Company performed the annual goodwill impairment test in 2009 and it was determined that the fair value of the reporting unit exceeded its carrying value and therefore, no goodwill impairment was identified.

Income Taxes Future income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. Future income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and future income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment regarding the financial statement carrying values of assets and liabilities which are subject to accounting estimates inherent in those balances. The future income tax assets and liabilities are also impacted by the interpretation of income tax legislation across various jurisdictions, expectations about future operating results and the timing of reversal of temporary differences, and possible audits of tax filings by the regulatory agencies.

Changes or differences in these estimates or assumptions may result in changes to the current or future income tax balances on the consolidated balance sheet, a charge or credit to income tax expense in the consolidated statement of earnings and may result in cash payments or receipts. Additional information on income taxes is provided in Note 14 to the consolidated financial statements.

Security-based Compensation Security-based compensation awards are measured and recognized using a fair value based method. Security-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as an expense over the vesting period. Determining the fair value of security-based compensation awards requires judgement regarding the estimation of the expected volatility of the Fund's units and the number of awards expected to be forfeited. The security-based compensation cost for awards that are dependent upon performance conditions is based on management's best estimates of the outcome of the performance conditions. To the extent that actual results differ from management's estimates, security-based compensation expense recorded on the Company's consolidated statement of earnings and retained earnings may be significantly impacted. Additional information on security-based compensation is provided in Note 19 to the consolidated financial statements.

ACCOUNTING STANDARDS IMPLEMENTED IN 2009

In 2009, the Company implemented the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Financial Instruments - Recognition and Measurement In June 2009, the CICA issued amendments to Section 3855 Financial Instruments, Recognition and Measurement. These amendments included clarifications on the application of the effective interest rate method and reclassification of financial instruments with embedded derivatives.

In August 2009, the CICA further amended Section 3855 to define loans and receivables as non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The amendment eliminated the distinction between debt securities and other debt instruments and changed the scope of the categories into which these financial instruments may be classified.

These amendments had no material impact on the Company's consolidated financial position or results of operations.

Financial Instruments - Disclosures In June 2009, the CICA issued amendments to Section 3862, Financial Instruments Disclosures, to improve fair value and liquidity risk disclosures. The standard now requires that all financial instruments measured at fair value be categorized using a three level hierarchy. Each level is based on the transparency of inputs used to measure the fair values of financial assets and liabilities. The additional disclosures required by the amendments are included in Note 20 to the consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities Effective February 1, 2009, the Company adopted EIC 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, issued by the CICA. This Abstract requires entities to consider both its own and counterparty credit risk in determining the fair value of its financial assets and liabilities, including derivative financial instruments. The adoption of this Abstract has had no material impact on the Company's financial statement disclosures, financial position or results from operations.

FUTURE ACCOUNTING STANDARDS

Business Combinations In January 2009, the CICA issued section 1582, Business Combinations together with section 1601, Consolidated Financial Statements and section 1602, Non-Controlling Interests. These new standards will be effective for the Company on a prospective basis for business combinations occurring on or after February 1, 2011. The new standards will align Canadian GAAP for business combinations and consolidated financial statements with IFRS. Early adoption is permitted and would facilitate the harmonization of the accounting treatment of business combinations for the year ended January 31, 2011 under both Canadian GAAP and IFRS.

International Financial Reporting Standards The Canadian Accounting Standards Board requires all publicly accountable enterprises to adopt International Financial Reporting Standards (IFRS) for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies are also required to provide IFRS comparative information for the previous fiscal year. The transition from Canadian generally accepted accounting principles (Canadian GAAP) to IFRS will be applicable for the Company's first quarter beginning February 1, 2011 when the Company will prepare comparative financial statements using IFRS.

Financial reporting under IFRS differs from Canadian GAAP in a number of respects, some of which are significant. The adoption of IFRS will have an impact on the Company's accounting, financial statements and disclosures, information systems, disclosure controls and procedures, and internal controls over financial reporting. Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as of the date of the first comparative balance sheet. The International Accounting Standards Board (IASB) is continuing to work on new accounting standards or changes to previously issued accounting standards. IFRS on the date of adoption is expected to differ from current IFRS due to these changes, impacting the form and content of the Company's IFRS compliant financial statements. The Company continues to monitor the changes to accounting standards proposed by the IASB and assess the impact of those changes. At this time, the impact of IFRS on the Company's future financial position cannot be quantified; however such impacts may be material upon final determination.

The Company commenced its IFRS conversion project in 2008. The project plan contains milestones and timelines to ensure a timely conversion. The IFRS conversion project consists of four main phases: Phase One - Project Plan and Scope; Phase Two - Detailed Impact Assessment; Phase Three - Conversion Plan; and Phase Four - Policy Selection and Implementation. The IFRS project team is led by the Chief Financial Officer supported by a project manager and a combination of internal and external resources. Progress updates are provided to the Audit Committee of the Board of Trustees on a quarterly basis.

To date the Company has completed Phases One, Two and Three comprised of:

- Diagnostic assessment of the financial statement components that will be impacted and a priority ranking of those differences identified;
- Comprehensive analysis of the major differences between Canadian GAAP and IFRS applicable to the Company;
- Identification of accounting policy alternatives, transition elections and exemptions available under IFRS; and
- Identification of changes to accounting systems required to support the implementation of IFRS.

Work continues on Phase Four – Policy Selection and Implementation and the consequential impact of IFRS on disclosure controls and procedures, internal controls over financial reporting, key performance measures, financial covenants, contractual agreements, incentive plans and budgeting. This phase also involves the final selection and approval of accounting policies, elections and exemptions and the finalization of IFRS compliant financial statements and notes. Changes to information systems and the financial reporting processes required to prepare the opening balance sheet have been completed. During 2010, the Company will prepare its opening balance sheet and quarterly financial statements in accordance with IFRS based on management's preliminary conclusions and analysis of various policy alternatives.

The Company continues to invest in resources and training to facilitate a timely conversion. Training for finance personnel consists of courses provided by external advisors as well as internally led training. Education and training on the impact of IFRS will continue to be provided to finance personnel, senior management and the Board throughout 2010.

Differences between Canadian GAAP and IFRS that will result in modifications to our financial statements at the changeover date have been identified. These differences, together with the IFRS elections and exemptions applicable to the Company have been summarized below.

Accounting Policy Differences

Employee benefits International Accounting Standard (IAS) 19, *Employee Benefits* permits an entity to make an accounting policy choice regarding the treatment of actuarial gains and losses. These choices include: (a) the corridor method, which is similar to the method currently used by the Company; (b) recording the actuarial gains and losses directly in income in the year incurred; and (c) recognizing the actuarial gains and losses directly in equity through comprehensive income.

IAS 19 also requires the past service cost element of defined benefit plans to be expensed on an accelerated basis, with vested past service costs being expensed immediately and unvested past service costs being recognized on a straight-line basis until the benefits become vested. Under Canadian GAAP, past service costs are generally amortized on a straight-line basis over the expected average remaining service period of the active employees in the plan.

Impairment of Assets IAS 36, Impairment of Assets uses a one-step impairment test whereby long-lived and finite life intangible asset carrying values are compared directly to their fair value. Fair value under IFRS is based on the greater of value in use as determined by discounted cash flow analysis and fair value less costs to sell. This may result in more frequent write-downs since under Canadian GAAP asset values are first compared to undiscounted cash flows as part of a two-stage impairment test. Under IAS 36, asset impairment write-downs can be reversed when there are indications that the circumstances leading to the write-down have changed. The reversal of asset impairment write-downs is not permitted under Canadian GAAP.

Share-based Payments IFRS 2, *Share-based Payments* requires that cash-settled awards granted to employees be measured at the grant date and each subsequent reporting period using a fair value model. This differs from Canadian GAAP whereby cash-settled awards are measured using the intrinsic value which is based on the market price of the Fund's units at the end of the reporting period. This difference in determining fair value will impact the timing of the expense recognized over the vesting period of the long-term incentive plans.

Provisions IAS 37, Provisions, Contingent Liabilities and Contingent Assets requires a provision to be recognized when: there is a present obligation as a result of a past transaction or event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the obligation. Under IAS 37 "probable" generally means more likely than not. Under Canadian GAAP, a liability is recorded in the financial statements when it is "likely", which is a higher threshold than "probable". The lower threshold used under IFRS may result in additional liabilities being recognized than under Canadian GAAP. Other differences have also been identified between the methods used for measuring provisions, including situations when there is a range of possible outcomes and when IFRS requires an entity to contemplate the effects of discounting.

Borrowing Costs IAS 23, *Borrowing Costs* requires entities to capitalize borrowing costs directly attributable to the acquisition or construction of a qualifying asset as part of the cost of that asset. A qualifying asset is one that necessarily takes a substantial period of time to be made ready for its intended use. Borrowing costs that must be capitalized are those that otherwise would have been avoided. Under Canadian GAAP the Company does not capitalize borrowing costs.

Income Tax In November 2009, the IASB withdrew an exposure draft on Income Taxes. Applicable current IFRS income tax requirements are fundamentally consistent with current practice. Any changes to Income Tax reporting are expected to be predominately caused by changes in the book value of assets and changes in tax rates applied, and not Income Tax accounting methodology.

IFRS 1 - First-time Adoption of International Financial

Reporting Standards IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to the general requirement for retrospective application of the standards. The IFRS 1 exemptions that are expected to apply to the Company upon adoption are summarized as follows:

Employee benefits A first time adopter must either recalculate its actuarial gains and losses at changeover in accordance with the requirements of IAS 19, *Employee Benefits* or immediately recognize all cumulative actuarial gains and losses through opening retained earnings. Retrospective recognition of actuarial gains and losses in accordance with IAS 19 requires the recalculation of gains and losses from the date the benefit plans were established.

Cumulative translation account IFRS 1 provides the option to reclassify all cumulative translation differences at the transition date from other comprehensive income to retained earnings. This provides relief from retrospectively applying IAS 21, *The Effects of Changes in Foreign Exchange Rates* from inception.

Fair value as deemed cost A choice is available between: measuring property and equipment at either its fair value at the date of transition and using those values as deemed cost; or using amortized historical cost determined in accordance with IAS 16, Property, Plant and Equipment. This exemption may be applied on an asset-by-asset basis.

Business combinations IFRS 3, *Business Combinations* may be applied retrospectively, effectively restating all business combinations in accordance with IFRS or by restating business combinations after a selected date. An entity may also elect to apply this standard prospectively from the date of transition.

These differences and options together with our comments thereon should not be deemed as a comprehensive listing of all changes that may result from the transition to IFRS. Instead, this commentary is meant to highlight areas we believe may be most significant. The reader is cautioned that our analysis of possible changes is ongoing, and will be influenced by both our final selection of accounting policies and continuing changes to IFRS in the form of new or revised standards.

The Company's IFRS project continues to be on target to meet the changeover date. Throughout 2010, the Company will continue to provide quarterly updates on its IFRS implementation plan and the impact of IFRS on the consolidated financial statements.

NON-GAAP MEASURES

1 Trading Profit (EBITDA) is not a recognized measure under Canadian GAAP. Management believes that in addition to net earnings, trading profit is a useful supplemental measure as it provides investors with an indication of the Company's operational performance before allocating the cost of interest, income taxes and capital investments. Investors should be cautioned, however, that trading profit should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of NWF's performance. NWF's method of calculating trading profit may differ from other companies and may not be comparable to measures used by other companies. A reconciliation of consolidated net earnings to trading profit or EBITDA is provided below:

Reconciliation of Net Earnings to Trading Profit

(\$ in thousands)	2009	2008	2007
Net earnings	\$ 81,813	\$ 75,378	\$ 62,991
Add: Amortization	35,150	32,054	26,950
Interest expense	5,470	8,307	7,465
Income taxes	7,841	6,518	9,151
Trading profit	\$ 130,274	\$ 122,257	\$ 106,557

For trading profit information by business segment, see Note 16 "Segmented Information" in the notes to the consolidated financial statements on page 40

2 Earnings Before Interest and Income Taxes (EBIT) is not a recognized measure under Canadian GAAP. Management believes that EBIT is a useful measure as it provides investors with an indication of the performance of the consolidated operations and/or business segments, prior to interest expense and income taxes. Investors should be cautioned, however, that EBIT should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of NWF's performance. NWF's method of calculating EBIT may differ and may not be comparable to measures used by other companies. A reconciliation of consolidated net earnings to EBIT is provided below:

Reconciliation of Net Earnings to EBIT

(\$ in thousands)	2009	2008	2007
Net earnings	\$ 81,813	\$ 75,378	\$ 62,991
Add: Interest expense	5,470	8,307	7,465
Income taxes	7,841	6,518	9,151
EBIT	\$ 95,124	\$ 90,203	\$ 79,607

For EBIT information by business segment, see Note 16 "Segmented Information" in the notes to the consolidated financial statements on page 40

3 Cash Flow from Operations is not a recognized measure under Canadian GAAP. Management believes that in additional to net earnings, cash flow from operations is a useful supplemental measure as it provides investors with an indication of the Company's ability to generate cash flows to fund its cash requirements, including distributions and capital investment. Investors should be cautioned however, that cash flow from operations should not be construed as an alternative to net earnings as a measure of profitability or the statement of cash flows. NWF's method of calculating cash flow from operations may differ from other companies and may not be comparable to measures used by other companies. A reconciliation of consolidated cash flow from operating activities to cash flow from operations is provided below:

Reconciliation of Cash Flow from Operating Activities to Cash Flow from Operations

(\$ in thousands)	2009	2008	2007
Cash flow from operating activities	\$ 107,973	\$ 90,178	\$ 93,591
Non-cash items: Change in other non-cash items	1,834	(1,396)	1,890
Change in non-cash working capital	6,679	17,542	(742)
Cash flow from operations	\$ 116,486	\$ 106,324	\$ 94,739

GLOSSARY OF TERMS

Basic earnings per unit Net earnings available to unitholders divided by the weighted average number of units outstanding during the period.

Basis point A unit of measure that is equal to 1/100th of one percent.

Cash flow from operations Provides an indication of the Company's ability to generate cash flows to fund its cash requirements, including distributions and capital investment. See Non-GAAP measures on page 26.

Control label or Private label A brand or related trademark that is owned by the Company for use in connection with its own products and services.

Debt loss An expense resulting from the estimated loss on potentially uncollectible accounts receivable.

Debt covenants Restrictions written into banking facilities and senior notes and loan agreements that prohibit the Company from taking actions that may negatively impact the interests of the lenders.

Debt to equity ratio Provides information on the proportion of debt and equity the Company is using to finance its operations and calculated by total debt divided by unitholder equity.

Diluted earnings per unit The amount of net earnings for the period available to unitholders divided by the weighted average number of units outstanding during the period including the impact of all potential dilutive outstanding units at the end of the period.

EBIT Net earnings before interest and income taxes provides an indication of the performance of the Company's performance prior to interest expense and income taxes. See Non-GAAP measures on page 26.

EBIT margin EBIT divided by sales.

Fair value The amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Gross profit Sales less cost of goods sold and inventory shrinkage.

Gross profit rate Gross profit divided by sales.

Hedge A risk management technique used to manage interest rate, foreign currency exchange or other exposures arising from business transactions.

Interest coverage Net earnings before interest and income taxes divided by interest expense.

Return on equity Net earnings divided by average unitholder equity.

Return on net assets Net earnings before interest and income taxes divided by average net assets employed (average total assets less accounts payable and accrued liabilities, income taxes payable and asset retirement obligations).

Same store sales Retail sales from stores that have been open more than 52 weeks in the periods being compared.

Trading profit (EBITDA) Net earnings before interest, income taxes, depreciation and amortization provides an indication of the Company's operational performance before allocating the cost of interest, income taxes and capital investments. See Non-GAAP measures on page 26.

Trading profit margin Trading profit divided by sales.

Working capital Total current assets less total current liabilities.

Year The fiscal year ends on January 31. The 2009 year which ended January 31, 2010 had 365 days of operations. The 2008 year which ended January 31, 2009 had 366 days of operations as a result of the February 29 leap year. The 2007 year which ended January 31, 2008 had 365 days of operations. The 2006 year which ended January 31, 2007 has 368 days of operations as a result of the Fund adopting a fixed fiscal year end of January 31 compared to the last Saturday in January used in prior years.

Eleven-Year Financial Summary

Fiscal Year ¹ (\$ in thousands)		2009 52 weeks		2008 52 weeks		2007 52 weeks		2006 52 weeks		2005 52 weeks		2004 52 weeks
Consolidated Statements of Earnings												
Sales - Canadian Operations	\$	921,621	\$	899,263	\$	852,773	\$	769,633	\$	689,340	\$	629,822
Sales - International Operations ²		522,745		493,371		211,717		175,291		160,313		158,871
Sales - Total	:	1,444,366		1,392,634	-	1,064,490		944,924		849,653		788,693
Trading profit (EBITDA) ³ - Canadian Operations		96,599		90,606		87,410		81,730		70,561		62,629
Trading profit (EBITDA) ³ - International Operations ²		33,675		31,651		19,147		14,639		14,941		13,977
Trading profit (EBITDA) ³ - Total Operations		130,274		122,257		106,557		96,369		85,502		76,606
Amortization - Canadian Operations		26,727		24,501		22,634		22,248		21,103		19,977
Amortization - International Operations ²		8,423		7,553		4,316		3,924		3,910		3,928
Amortization - Total		35,150		32,054		26,950		26,172		25,013		23,905
Interest		5,470		8,307		7,465		6,844		6,120		5,761
Income tax provision		7,841		6,518		9,151		9,693		11,479		9,675
Net earnings		81,813		75,378		62,991		53,660		42,890		37,265
Cash flow from operations		116,486		106,324		94,739		78,753		70,856		63,150
Distributions/dividends paid during the year		67,245		67,730		54,667		38,702		30,317		29,105
Cash flow from operations after distributions/dividends		49,241		38,594		40,072		40,051		40,539		34,045
Capital expenditures		45,294		46,118		44,409		30,136		24,833		22,323
Net change in cash		1,548		3,998		(368)		212		10,450		(5,189)
Consolidated Balance Sheets												
Current assets	\$	285,843	\$	285,088	\$	254,061	\$	226,164	\$	- ,	\$	208,188
Property and equipment		258,928		248,856		223,397		189,599		182,108		186,104
Other assets, intangible assets and goodwill		73,177		68,632		50,492		19,690		17,306		12,253
Future income taxes		5,852		6,597		1,720		6,416		5,693		7,932
Current liabilities		171,946		172,216		134,899		122,783		95,467		88,284
Long-term debt and other liabilities		161,928		162,547		138,470		67,056		85,809		89,908
Equity		289,926		274,410		256,301		252,030		242,573		236,285
Consolidated Dollar Per Unit ⁶												
Net earnings - basic	\$	1.71	\$	1.58	\$	1.32	\$	1.13	\$		\$	0.78
Net earnings - diluted		1.69		1.56		1.31		1.12		0.89		0.77
Trading profit ⁴		2.73		2.56		2.24		2.03		1.79		1.60
Cash flow from operations ⁴		2.44		2.23		1.99		1.66		1.49		1.32
Distributions paid during the year		1.39 1.05		1.40		1.13		0.80		0.63		0.60
Cash flow from operations after distributions/dividends ⁴		6.04		0.83 5.75		0.86 5.37		0.86 5.29		0.86 5.11		0.72 4.95
Equity at end of fiscal year (basic units outstanding)		17.94		16.14		18.42		16.41		12.50		10.22
Market price at January 31		17.74		10.14		10.42		10.41		12.30		10.22
Statistics at Year End		400		170		476		140		144		4.50
Number of stores - Canadian		180		178		176		168		164		159
Number of stores - International ²		46		43		44		32		27		25
Selling square feet (000's) end of year - Canadian Stores		1,423		1,396		1,368		1,226		1,157		1,093
Selling square feet (000's) end of year - International ²	¢	653	ď	617	đ	639	ď	311	ď	272	đ	255
Sales per average selling square foot - Canadian Sales per average selling square foot - International ²	\$ \$	654 752	\$	651 723	\$ \$	657 410	\$ \$	646 601	\$		\$ \$	573 624
Number of employees - Canadian Operations	P	5,358	Ф	5,408	Φ	5,359	Φ	5,833	Ф	5,175	Ф	4,830
Number of employees - Canadian Operations ²		1,545		1,339		1,502		806		732		692
Average units/shares outstanding (000's)		47,799		47,718		47,649		47,561		47,694		47,754
Units/shares outstanding at end of fiscal year (000's)		48,017		47,718		47,701		47,625		47,463		47,700
Units/shares traded during the year (000's)		20,080		16,402		17,330		13,167		6,956		7,393
Financial Ratios		-,		.,		,		-,		-,		1
Trading profit (%) ³		9.0		8.8		10.0		10.2		10.1		9.7
EBIT (%) ⁵		6.6		6.5		7.5		7.4		7.1		6.7
Total return on net assets (%)		18.7		19.8		21.0		19.7		16.6		14.8
Return on average equity (%)		29.3		28.6		24.9		21.7		18.0		16.2
Debt-to-equity		.72:1		.78:1		.62:1		.43:1		.46:1		.51:1
Distributions/dividends as % of cash flow from operations		57.7		63.7		57.7		49.1		42.8		46.1
Inventory turnover (times)		5.6		5.8		5.3		5.1		4.6		4.2
inventory turnover (times)		5.0		5.0		5.5		5.1		4.0		4.2

¹ The fiscal year changed from the last Saturday in January to January 31 effective January 31, 2007

² International operations includes Alaska Commercial Company, Cost-U-Less, Inc. which was acquired December 13, 2007, and Span Alaska Enterprises, which was acquired March 3, 2008. These entities were merged into The North West Company (International) Inc. on December 31, 2008

	2003 53 weeks		2002 52 weeks		2001 52 weeks		2000 52 weeks		1999 52 weeks	Fiscal Year ¹ (\$ in thousands)
										Consolidated Statements of Earnings
\$	615,661	\$	565,747	\$	532,349	\$	502,756	\$	478,508	Sales - Canadian Operations
	167,059		184,012		171,694		156,276		147,961	Sales - International Operations ²
	782,720		749,759		704,043		659,032		626,469	Sales - Total
	57,663		59,163		60,337		54,534		51,075	Trading profit (EBITDA) ³ - Canadian Operations
	15,163		13,108		10,198		9,352		8,881	Trading profit (EBITDA) ³ - International Operations ²
	72,826		72,271		70,535		63,886		59,956	Trading profit (EBITDA) ³ - Total Operations
	18,413		18,976		19,301		18,568		17,287	Amortization - Canadian Operations
	3,988		3,696		3,393		2,987		2,860	Amortization - International Operations ²
	22,401		22,672		22,694		21,555		20,147	Amortization - Total
	6,299		6,681		10,501		13,236		11,701	Interest
	8,396		8,449		8,325		961		151	Income tax provision
	35,730		34,469		29,015		28,134		27,957	Net earnings
	58,886		59,184		55,773		47,782		44,854	Cash flow from operations
	30,639		25,157		21,375		21,446		21,600	Distributions/dividends paid during the year
	28,247		34,027		34,398		26,336		23,254	Cash flow from operations after distributions/dividends
	33,273		20,128		20,427		19,133		22,777	Capital expenditures
	6,176		475		1,388		(1,567)		(1,481)	Net change in cash
	,				,		.,,,		.,,,	Consolidated Balance Sheets
\$	196,830	\$	209,900	\$	219,956	\$	192,250	\$	176,164	Current assets
Ť	192,395	,	188,194		194,025	-	194,448		195,429	Property and equipment
	12,153		10,775		9,836		10,055		12,351	Other assets, intangible assets and goodwill
	8,222		9,322		9,358		19,212		3,593	Future income taxes
	83,140		91,995		204,017		100,886		92,486	Current liabilities
	97,982		106,812		9,634		124,106		125,146	Long-term debt and other liabilities
	228,478		219,384		219,524		190,973		169,905	Equity
	·		·		·		<u> </u>		· ·	Consolidated Dollar Per Unit ⁶
\$	0.75	\$	0.72	\$	0.65	\$	0.63	\$	0.62	Net earnings - basic
Ψ	0.73	Ψ	0.72	Ψ	0.65	Ψ	0.63	Ψ	0.62	Net earnings - diluted
	1.52		1.50		1.58		1.43		1.33	Trading profit ⁴
	1.23		1.23		1.25		1.07		1.00	Cash flow from operations ⁴
	0.63		0.52		0.49		0.48		0.48	Distributions paid during the year
	0.60		0.71		0.76		0.59		0.52	Cash flow from operations after distributions/dividends ⁴
	4.78		4.59		4.54		4.33		3.78	Equity at end of fiscal year (basic units outstanding)
	7.88		6.90		5.73		4.33		4.00	Market price at January 31
										Statistics at Year End
	156		154		153		153		153	Number of stores - Canadian
	25		25		24		24		25	Number of stores - International ²
	1,106		1,070		1,050		1,019		998	Selling square feet (000's) end of year - Canadian Stores
	254		245		244		238		235	Selling square feet (000's) end of year - International ²
\$	566	\$	534	\$	515	\$	499	\$	481	Sales per average selling square foot - Canadian
\$	669	\$	752	\$	712	\$	661	\$	638	Sales per average selling square foot - International ²
	4,552		4,270		4,015		3,822		3,787	Number of employees - Canadian Operations
	736		657		690		655		655	Number of employees - International Operations ²
	47,820		48,021		44,688		44,625		45,000	Average units/shares outstanding (000's)
	47,799		47,844		48,378		44,073		45,000	Units/shares outstanding at end of fiscal year (000's)
	7,207		7,617		4,776		4,843		2,795	Units/shares traded during the year (000's)
										Financial Ratios
	9.3		9.6		10.0		9.7		9.6	Trading profit (%) ³
	6.4		6.6		6.8		6.4		6.4	EBIT (%) ⁵
	14.1		13.4		12.7		11.5		11.6	Total return on net assets (%)
	16.0		15.8		14.9		15.2		16.8	Return on average equity (%)
	.56:1		.62:1		.69:1		.92:1		1.01:1	Debt-to-equity
	52.1		42.5		38.3		44.9		48.2	Distributions/dividends as % of cash flow from operations
	4.1		3.7		3.3		3.3		3.4	Inventory turnover (times)

 ³ Earnings before interest, taxes and amortization
 4 Based on average basic units outstanding
 5 Earnings before interest and taxes

⁶ On September 20, 2006 the units were split on a three-for-one basis. All per unit information has been restated to reflect the three-for-one split except trading volume

Management's Responsibility for Financial Statements

The management of North West Company Fund are responsible for the preparation, presentation and integrity of the accompanying financial statements and all other information in this annual report. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada and include certain amounts that are based on the best estimates and judgment by management.

In order to meet its responsibility and ensure integrity of financial reporting, management has established a code of business ethics, and maintains appropriate internal controls and accounting systems. An internal audit function is maintained that is designed to provide reasonable assurance that assets are safeguarded, transactions are authorized and recorded and that the financial records are reliable.

Ultimate responsibility for financial reporting to unitholders rests with the Trustees of the Fund. The Audit Committee of the Board of Trustees, consisting of outside Trustees, meets periodically with management and with the internal and external auditors to review the audit results, internal controls and accounting policies. Internal and external auditors have unlimited access to the Audit Committee. The Audit Committee meets separately with management and the external auditors to review the financial statements and other contents of the annual report and recommend approval by the Board of Trustees. The Audit Committee also recommends the independent auditor for appointment by the unitholders.

PricewaterhouseCoopers LLP, an independent firm of auditors appointed by the unitholders, have completed their audit and submitted their report as follows.

Edward S. Kennedy
PRESIDENT & CEO

NORTH WEST COMPANY FUND

Léo P. Charrière EXECUTIVE VICE-PRESIDENT & CFO NORTH WEST COMPANY FUND

APRIL 7, 2010

Auditors' Report PRICEWATERHOUSE COPERS

To the Unitholders of North West Company Fund:

We have audited the consolidated balance sheets of North West Company Fund as at January 31, 2010 and 2009 and the consolidated statements of earnings and retained earnings, comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at January 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Pricewaterhouse Coopers UP

CHARTERED ACCOUNTANTS WINNIPEG, CANADA

APRIL 7, 2010

Consolidated Balance Sheets

(\$ in thousands)	January 31, 2010	January 31, 2009
ASSETS		
Current assets		
Cash	\$ 27,278	\$ 25,730
Accounts receivable	71,767	68,485
Inventories	177,877	181,780
Prepaid expenses	4,786	5,845
Future income taxes (Note 14)	4,135	3,248
	285,843	285,088
Property and equipment (Note 5)	258,928	248,856
Other assets (Note 6)	26,252	20,360
Intangible assets (Note 7)	18,332	15,900
Goodwill (Note 7)	28,593	32,372
Future income taxes (Note 14)	5,852	6,597
	\$ 623,800	\$ 609,173
LIABILITIES		
Current liabilities		
Bank advances (Note 8)	\$ 312	\$ 5,974
Accounts payable and accrued liabilities	113,407	114,366
Income taxes payable	1,888	2,549
Current portion of long-term debt (Note 9)	56,339	49,327
	171,946	172,216
Long-term debt (Note 9)	152,519	157,725
Other long-term liabilities (Note 10)	9,409	4,822
	333,874	334,763
EQUITY		
Capital (Note 11)	165,133	165,133
Unit purchase loan plan (Note 12)	(6,428)	(11,296)
Contributed surplus	1,569	1,569
Retained earnings	125,525	110,475
Accumulated other comprehensive income (Note 13)	4,127	8,529
	289,926	274,410
	\$ 623,800	\$ 609,173

See accompanying notes to consolidated financial statements

Approved on behalf of the Board of Trustees

"Gary J. Lukassen" TRUSTEE

"H. Sanford Riley" TRUSTEE

Consolidated Statements of Earnings & Retained Earnings

(\$ in thousands)		Year Ended ary 31, 2010	Janua	Year Ended ary 31, 2009
SALES	\$ 1	L,444,366	\$	1,392,634
Cost of sales, selling and administrative expenses	(1	L,314,092)	(1,270,377)
Net earnings before amortization, interest and income taxes		130,274		122,257
Amortization		(35,150)		(32,054)
		95,124		90,203
Interest, including interest on long-term debt of \$5,173 (2008 - \$7,760)		(5,470)		(8,307)
		89,654		81,896
Provision for income taxes (Note 14)		(7,841)		(6,518)
NET EARNINGS FOR THE YEAR	\$	81,813	\$	75,378
Retained earnings, beginning of year as previously reported		110,475		100,526
Accounting policy changes (Note 2)		-		(119)
Retained earnings, as adjusted		110,475		100,407
Distributions (Note 23)		(66,763)		(65,310)
RETAINED EARNINGS, END OF YEAR	\$	125,525	\$	110,475
NET EARNINGS PER UNIT (Note 15)				
Basic Diluted	\$ \$	1.71 1.69	\$	1.58 1.56

See accompanying notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

(\$ in thousands)	Janua	Year Ended ary 31, 2010	Year Ended January 31, 2009		
NET EARNINGS FOR THE YEAR	\$	81,813	\$	75,378	
Unrealized gains (losses) on translation of financial statements from a self-sustaining operation in U.S. dollar functional currency to Canadian					
dollar reporting currency		(4,402)		6,515	
Other comprehensive income (loss) (Note 13)		(4,402)		6,515	
COMPREHENSIVE INCOME	\$	77,411	\$	81,893	

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

(\$ in thousands)	Year Ended January 31, 2010	Year Ended January 31, 2009
CASH PROVIDED BY (USED IN)		
Operating Activities		
Net earnings for the year	\$ 81,813	\$ 75,378
Non-cash items		
Amortization	35,150	32,054
Future income taxes	(874)	(919)
Unit purchase loan plan compensation (Note 19)	-	599
Amortization of deferred financing costs	245	186
(Gain) Loss on disposal of property and equipment	152	(974)
	116,486	106,324
Change in non-cash working capital	(6,679)	(17,542)
Change in other non-cash items	(1,834)	1,396
Operating activities	107,973	90,178
Investing Activities		
Business acquisitions (Note 22)	(15,421)	(7,656)
Purchase of property and equipment	(45,294)	(46,118)
Proceeds from disposal of property and equipment	1,343	4,339
Investing activities	(59,372)	(49,435)
Financing Activities		
Change in bank advances	(5,112)	548
Net repayments under unit purchase loan plan	4,868	1,046
Increase in long-term debt	65,193	47,822
Repayment of long-term debt	(44,757)	(18,431)
Distributions (Note 23)	(67,245)	(67,730)
Financing activities	(47,053)	(36,745)
NET CHANGE IN CASH	\$ 1,548	\$ 3,998
Cash, beginning of year	25,730	21,732
CASH, END OF YEAR	\$ 27,278	\$ 25,730
Supplemental disclosure of cash paid for:		
Interest expense	\$ 5,568	\$ 8,287
Income taxes	\$ 8,826	\$ 7,535

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

(\$ IN THOUSANDS)
January 31, 2010 and 2009

1. ORGANIZATION

The North West Company Fund (NWF or the Fund) is an unincorporated open-ended mutual fund trust, governed by the laws of the Province of Manitoba and the laws of Canada and created pursuant to a Declaration of Trust. The beneficiaries of the Fund (the "unitholders") are holders of trust units issued by the Fund (the "Trust Units"). The Fund is a limited purpose trust whose purpose is to invest in securities of its wholly owned subsidiaries The North West Company Inc. (NWC), The NWC Trust, North West Company Holdings Inc., NWC GP Inc., The North West Company LP, administer the assets and liabilities of NWF and make distributions to the unitholders all in accordance with the Declaration of Trust.

2. ACCOUNTING POLICY CHANGES

Adopted for the year ended January 31, 2010 Financial Instruments - Recognition and Measurement

In June 2009, the Canadian Institute of Chartered Accountants (CICA) issued amendments to Section 3855 Financial Instruments – Recognition and Measurement. These amendments included clarifications on the application of the effective interest rate method and reclassification of financial instruments with embedded derivatives.

In August 2009, the CICA further amended Section 3855 to define loans and receivables as non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The amendment eliminated the distinction between debt securities and other debt instruments and changed the scope of the categories into which these financial instruments may be classified.

These amendments had no material impact on the Company's consolidated financial position or results of operations.

Financial Instruments - Disclosures

In June 2009, the CICA issued amendments to Section 3862 Financial Instruments – Disclosures to improve fair value and liquidity risk disclosures. The standard now requires that all financial instruments measured at fair value be categorized using a three level hierarchy. Each level is based on the transparency

of inputs used to measure the fair values of financial assets and liabilities. The additional disclosures required as a result of these changes are included in Note 20.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

Effective February 1, 2009 the Company adopted the requirements of EIC-173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This Abstract requires entities to consider its own and counterparty credit risk in determining the fair value of its financial assets and liabilities including derivative financial instruments. The adoption of this standard has had no material impact on the Company's financial statement disclosures, results or financial position.

Adopted for the year ended January 31, 2009 Goodwill and Intangible Assets

The requirements of Section 3064, Goodwill and Intangible Assets have been adopted and reflected in the Company's financial statements as of January 31, 2009. The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard has had no material impact on the Company's financial statement disclosures or its results from operations.

Inventories

Effective February 1, 2008 the Company adopted the new accounting standard issued by the CICA Section 3031, Inventories which was effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Section 3031 provides guidance on the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. This change in accounting policy was implemented retroactively without restatement of comparative financial statements in accordance with the transitional provisions of the standard. Upon adoption of this accounting standard, the Company recorded a decrease in opening inventories of \$221, an increase in opening future income tax assets of \$102, and a decrease to opening retained earnings of \$119.

Additional disclosures required by Section 3031 have been included in Note 4.

General Standards of Financial Statement Presentation

CICA Section 1400, General Standards of Financial Statement Presentation, was amended to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events and conditions that may cast significant doubt upon an entity's ability to continue as a going concern. The Company adopted this new standard effective February 1, 2008 with no impact on the Company's financial statement disclosures.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The consolidated financial statements of the Fund are prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in thousands of Canadian dollars unless otherwise noted. These consolidated financial statements include the accounts of NWF, The NWC Trust, North West Company Holdings Inc., NWC GP Inc., NWC, and the operating entities (the "Company") The North West Company LP and The North West Company (International) Inc. The financial results of certain subsidiaries which have different year ends have been included in the consolidated financial statements for the 12 months ended January 31, 2010 and January 31, 2009. The results of operations of businesses acquired are included in the consolidated financial statements from the acquisition date. All significant intercompany amounts and transactions have been eliminated on consolidation.

Revenue Recognition Revenue on the sale of goods and services is recorded at the time the sale is made to the customer. Revenue is recorded net of customer merchandise returns. Service charges on credit card receivables are accrued each month on balances outstanding at each account's billing date.

Accounts Receivable Accounts receivable are recorded at cost, net of allowance for doubtful accounts and include customer installment accounts, a portion of which may not become due within one year. The Company records an allowance to reduce the carrying value of accounts receivable identified as potentially uncollectible to their estimated realizable amount. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventories Inventories are valued at the lower of cost and net realizable value. The cost of inventories includes the cost to purchase net of vendor allowances plus other costs, such as transportation costs, that are directly incurred to bring the inventories to their present location and condition. The cost of warehouse inventories is determined by weighted average cost. The cost of store inventories is determined primarily using the retail method of accounting for general merchandise inventories and the cost method on a first-in, first-out basis for food inventories. Net realizable value is estimated based on the amount at which inventories are expected to be sold taking into consideration fluctuations in retail prices due to seasonality less the estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to not be recoverable due to obsolescence, damage, or permanent declines in selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in the selling price, the amount of the write-down previously recorded is reversed. Costs such as storage costs and administrative overheads that do not contribute to bring the inventories to their present location and condition are specifically excluded from the cost of inventories and are expensed in the period incurred.

Vendor Allowances Consideration received from vendors related to the purchase of merchandise is recorded as a reduction in the price of the vendor's products and reflected as a reduction of cost of goods sold and related inventory.

Property and Equipment Property and equipment are initially recorded at cost. Amortization is provided using the straight-line method over their estimated useful lives, as follows:

Buildings	3%-8%
Leasehold improvements	
Fixtures and equipment	8%-33%
Computer equipment	12%-33%

Leases Leases in which a significant portion of the risks and rewards of ownership are transferred to the Company are accounted for as capital leases. The present value of minimum lease payments are recorded in property and equipment on the consolidated balance sheets and are amortized over the estimated useful lives on a straight-line basis. Capital lease obligations are recorded in long-term debt and are reduced by the amount of the lease payment net of imputed interest. All other leases are accounted for as operating leases and the lease payments are included in cost of sales, selling and administrative expenses on the consolidated statement of earnings.

Lease incentives and allowances received are recorded as other long-term liabilities and are amortized as a reduction of the lease expense over the term of the lease.

Impairment of Long-Lived Assets Impairment of long-lived assets is recognized when an event or change in circumstances causes the asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the fair value of the asset from its carrying value and is recognized as an expense in the period of impairment. No assets were deemed to be impaired at January 31, 2010 or 2009.

Other Assets Other assets consist primarily of accrued employee future benefit asset and an investment in a transportation company. The transportation company is accounted for on the equity basis. Prepayments under lease agreements are being amortized over their respective lease terms and are recorded in cost of sales, selling and administrative expenses on the consolidated statements of earnings.

Intangible Assets Intangible assets with definite useful lives are recorded at their cost and are amortized on a straight-line basis over their estimated useful lives as follows:

Software	3 to 7 years
Non-compete agreements	3 to 5 years

The carrying value of these assets is reviewed periodically for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable and will be written down to their fair value by a charge to amortization expense if a decline in carrying value is determined. The amortization method and estimate of the useful life of an intangible asset are reviewed annually.

Intangible assets which have indefinite lives are not amortized but are tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. The impairment test compares the carrying amount of the intangible assets with their fair value as of the assessment date. An impairment loss is recorded when the carrying value exceeds the fair value and is recognized as an expense in the period of impairment. The annual impairment test was performed on indefinite life intangible assets and it was determined that there was no impairment to the carrying value.

Goodwill Goodwill represents the excess of the acquisition cost of investments in subsidiaries over the fair value of the identifiable net assets acquired at the date of acquisition. Goodwill is not amortized but is subject to an annual fair value impairment test. Impairment is tested by determining whether a reporting unit's fair value exceeds its net carrying amount as of the assessment date. An impairment loss is recorded when the carrying value exceeds the fair value and is recognized as an expense in the period of impairment. The Company performs the impairment test on an annual basis. The annual impairment test was performed and it was determined that there was no impairment to the carrying value.

Unit Purchase Loan Plan Loans issued to officers and senior management to purchase units of the Fund under the unit purchase loan plan are accounted for as a reduction of equity until repaid as described in Note 12.

Security-Based Compensation The Company has security-based compensation plans as described in Note 19. Security-based awards are measured and recognized using a fair value based method.

Foreign Currency Translation The accounts of self-sustaining foreign operations have been translated into Canadian dollars using the current rate method whereby assets and liabilities are translated at the year end exchange rate and revenues and expenses at the average rate for the period. Foreign exchange gains or losses arising from the translation of both the net investment in the self-sustaining foreign operations and the U.S. denominated debt designated as a hedge against this investment are deferred and included in a separate component of equity as accumulated other comprehensive income. Accumulated other comprehensive income is recognized in net earnings when there has been a reduction in the net investment in the self-sustaining foreign operation.

Income Taxes The Company accounts for income taxes using the liability method of tax allocation. Under the liability method, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be realized or settled. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized. The provision for income taxes is recorded in the Company at applicable statutory rates.

The Fund is an inter vivos trust for income tax purposes. All income of the Fund is distributed to unitholders and, as such, no income tax is payable by the Fund. On June 22, 2007, legislation was passed (the "SIFT Rules") which imposes a new entitylevel tax on distributions from certain specified investment flow-through entities ("SIFTs") such as the Fund commencing January 1, 2011. The legislation specifies that the SIFT tax rate will be the federal general corporate income tax rate plus the provincial SIFT tax rate which is based on the general provincial corporate income tax rate in each province in which the Fund has a permanent establishment. The provincial SIFT tax rate is calculated using the general corporate taxable income allocation formula. Based on substantively enacted tax rates, the Fund estimates the effective tax rate will be approximately 30% in 2011. The application of the SIFT Rules is delayed until January 1, 2011 provided the Fund is not considered to have undergone an "undue expansion" in the interim period.

Employee Future Benefits The Company maintains a defined benefit or defined contribution pension plan for the majority of its Canadian employees. The actuarial determination of the accrued benefit obligations for pension benefits uses the projected benefit method prorated on services which incorporates management's best estimate of expected plan investment performance, salary escalation, and retirement ages of employees. For the purpose of calculating the expected returns on plan assets, those assets are valued at market related value based on a five year moving average. Past service costs and the net transitional asset are amortized on a straightline basis over the average remaining service period of the employees expected to receive the benefits under the plan. The excess of the net actuarial gain or loss over 10% of the greater of the accrued benefit obligation and the market related value of the plan assets is amortized over the average remaining service period of active employees. The average remaining service period of active employees covered by the pension plan is 14 years (January 31, 2009 - 15 years). Contributions to the defined contribution pension plan are expensed as incurred. The Company also sponsors an employee savings plan for U.S. employees whereby the Company is obligated to make a 50% matching contribution up to 6% of eligible compensation.

Asset Retirement Obligations A liability associated with the retirement of long-lived assets is recorded in the period in which the legal obligation is incurred at its estimated fair value and a corresponding asset is capitalized as part of the related asset and depreciated over its useful life. Subsequent to the initial measurement of the asset retirement obligation, the obligation is accreted to reflect the passage of time and changes in the estimated future costs underlying the obligation. Accretion expense is included in cost of sales, selling and administrative expenses.

Financial Instruments All financial assets must be designated as either held for trading, available for sale, loans and receivables or held to maturity. All financial liabilities must be designated as either held for trading or other liabilities. Initial measurement of financial instruments is at fair value. Measurement in subsequent periods depends on the initial

classification. Financial assets and liabilities designated as held for trading are subsequently measured at fair value with periodic changes in fair value recognized in net earnings. Financial assets designated as available for sale are subsequently measured at fair value with periodic changes in fair value recognized in other comprehensive income until realized, at which time the accumulated gains or losses are reclassified into net earnings. Financial assets designated as loans and receivable or held to maturity and financial liabilities designated as other liabilities are subsequently measured at amortized cost and income or expense is recognized in net earnings using the effective interest rate method. The carrying amounts of assets or liabilities that are part of an effective fair value hedging relationship are adjusted by an amount equal to the change in fair value caused by the risk that is hedged.

All derivatives, including embedded derivatives must be measured on the balance sheet at fair value. Periodic changes in the fair value of those derivatives are reflected in net earnings unless the derivative is in an effective cash flow hedging relationship. For derivatives in an effective cash flow hedging relationship, the effective portion of the change in fair value is recognized in other comprehensive income and any ineffective portion is recognized in net earnings.

Accounts receivables and financial assets included in other assets are designated as loans and receivables and are carried on the balance sheet at amortized cost. Interest revenue, consisting primarily of service charge income on customer accounts receivable, is included in sales in the consolidated financial statements. Bank advances and accounts payable and accrued liabilities are designated as other liabilities and are carried on the balance sheet at amortized cost. Interest incurred, if any, in relation to these liabilities is recorded using the effective interest rate method and included in interest expense.

Long-term debt is designated as other liabilities and carried on the balance sheet at amortized cost. Transaction costs relating to the issuance of long-term debt are included in the amortized cost of the debt. Interest expense relating to long-term debt is recorded using the effective interest rate method and included in the consolidated statement of earnings in interest expense. Portions of the long-term debt are hedged to protect against interest rate risk. To the extent that the hedging relationships are effective, the amortized cost balance is adjusted to include the portion of the change in fair value of the debt that is caused by the effects of interest rate risk, where that risk is hedged.

Cross currency interest rate and interest rate swap derivative instruments may be used to hedge exposure to interest rate and foreign exchange rate risk. These derivatives are recognized on the balance sheet at their fair value. The hedging relationships are designated as fair value hedges and are tested for effectiveness on a quarterly basis. To the extent that the hedging relationship is effective, a gain or loss arising from the hedged item in a fair value hedge adjusts the carrying value of the hedged item and is reflected in earnings, offset by change in fair value of the underlying derivative. Any change in fair value of derivatives that do not qualify for hedge accounting is reported in earnings. Changes in fair value relating to the interest rate swaps are included in interest expense. For cross currency

interest rate swaps, changes in fair value caused by interest rates are included in interest expense and changes in fair value caused by foreign exchange rates are included in cost of sales, selling and administrative expenses in the consolidated statement of earnings.

A portion of the U.S. denominated debt is designated as a hedge against foreign exchange exposure caused by the Company's net investment in self-sustaining foreign operations. The foreign exchange gains and losses arising from translation of this debt are included in other comprehensive income and subsequently recognized in earnings when the hedged item affects earnings.

Net Earnings Per Unit Basic net earnings per unit are calculated based on the weighted-average units outstanding. The units pledged as security for the loans issued under the Company's Unit Purchase Loan Plan are deducted from the issued and outstanding units of the Fund to determine basic units outstanding. Diluted net earnings per unit takes into account the dilutive effect of the deferred unit plan for Trustees and the additional income that would have been earned by the Company had interest costs not been incurred on the unit purchase loan plan and had the respective units been outstanding during the year (Note 12).

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements and notes. Estimates are used when accounting for items such as valuation of inventories, financial instruments, impairment of assets, employee future benefits, goodwill and income taxes. These estimates and assumptions are based on management's historical experience, best knowledge of current events and conditions and actions that the Company may undertake in the future. Certain of these estimates require subjective or complex judgments by management about matters that are uncertain and changes in those estimates could materially impact the consolidated financial statements and notes.

4. INVENTORIES

Included in cost of sales, selling and administrative expenses on the consolidated statement of earnings for the year ended January 31, 2010 is \$1,029,617 (January 31, 2009 - \$990,348) of inventories recognized as an expense which includes \$1,603 (January 31, 2009 - \$1,235) for the write-down of inventories as a result of net realizable value being lower than cost. There was no reversal of previous write-downs during the year.

5. PROPERTY AND EQUIPMENT

Year Ended	January 2010			January 200			
		Cost		nulated tization		Cost	Accumulated Amortization
Land	\$	9,946	\$	-	\$	8,540	\$ -
Buildings		281,304	:	136,034		256,788	127,442
Leasehold improvements		34,769		15,556		32,199	14,168
Fixtures & equipment		193,833	:	125,002		185,328	120,244
Computer equipment		51,878		44,424		54,161	44,773
Construction in process		8,214		-		18,467	-
	\$	579,944	\$ 3	321,016	\$	555,483	\$ 306,627
Net book value	\$	258,928			\$	248,856	

6. OTHER ASSETS

Year Ended	January 2010	January 2009
Investment in transportation company	\$ 6,611	\$ 6,186
Accrued employee future benefit asset (Note	17) 15,139	8,522
Long-term receivable	2,908	3,088
Prepayments under lease agreements	680	807
Other	914	1,757
	\$ 26,252	\$ 20,360

7. GOODWILL AND INTANGIBLE ASSETS

Year Ended	January 2010 January		y 2009			
		Cost	 mulated tization	Cost		mulated tization
Intangible assets with definite lives:						
Software	\$	14,627	\$ 8,265	\$ 11,877	\$	6,373
Non-compete agreements		6,727	2,212	2,791		1,050
Intangible assets with indefinite lives:						
Cost-U-Less banner		7,455	-	8,655		-
	\$	28,809	\$ 10,477	\$ 23,323	\$	7,423
Net book value	\$	18,332		\$ 15,900		

The amount allocated to the Cost-U-Less banner is an indefinite life intangible asset as it is expected to generate cash flows in perpetuity. Indefinite life intangible assets are not amortized but are subject to an annual impairment test. This test was performed and there was no impairment. The decrease in the carrying value of the Cost-U-Less banner is due to a change in foreign exchange rates.

Intangible asset amortization expense recorded in amortization on the consolidated statement of earnings for the year ended January 31, 2010 is \$3,054 (January 31, 2009 - \$3,284).

The change in the carrying amount of goodwill is as follows:

Year Ended	January 2010	January 2009
Balance, beginning of year	\$ 32,372	\$26,882
Goodwill acquired	-	6,661
Reclassified to intangibles	-	(7,152)
Changes in foreign exchange rates	(3,779)	5,981
Balance, end of year	\$ 28,593	\$32,372

8. BANK ADVANCES

International Operations have available demand, revolving loan facilities of US\$15,000 at interest rates of U.S. prime secured by a floating charge against certain accounts receivable and inventories of the International Operations. As at January 31, 2010, the International Operations had drawn US\$293 (January 31, 2009 – US\$4,832) on the facility.

9. LONG-TERM DEBT

Year Ended	January 2010 January 20	
Senior notes ¹	\$ 73,481	\$ 48,411
Revolving loan facilities ²	72,853	90,031
Non-revolving loan facilities ³	55,380	64,293
Notes payable ⁴	5,567	1,799
Obligation under capital lease ⁵	1,577	2,518
	208,858	207,052
Less: Current portion of long-term debt	56,339	49,327
	\$ 152,519	\$ 157,725

- 1 The Company issued US\$70,000 senior notes on June 15, 2009 which mature June 15, 2014 and bear interest at a rate of 6.55%, payable semi-annually. The US\$39,000 senior notes which matured on June 15, 2009, bore interest at 5.89% payable semi-annually. The notes are secured by a floating charge against the assets of the Company. The Company has entered into an interest rate swap resulting in floating interest costs on US\$28,000 of its senior notes.
- 2 Canadian Operations have available extendible, committed, revolving loan facilities of \$140,000 that mature on December 31, 2011. These facilities are secured by a floating charge against the assets of the Company and rank pari passu with the senior notes. These facilities bear interest at Bankers Acceptances rates plus stamping fees or the Canadian prime rate. As at January 31, 2010, the Company has drawn \$72,853 (January 31, 2009 \$90,031) on these facilities.
- 3 International Operations have available committed non-revolving loan facilities of US\$52,000 that mature on December 31, 2010. These facilities are secured by a floating charge against the assets of the Company and rank pari passu with the senior notes. These facilities bear interest at LIBOR plus stamping fees or the U.S. prime rate. As at January 31, 2010, the Company has drawn US\$52,000 (January 31, 2009 US\$52,000) on these facilities.

4 The note payable in the amount of US\$1,189 (January 31, 2009 - US\$1,455) bears an interest rate of U.S. prime plus 1% and have annual principal payments of US\$267. Notes payable in the amount of US\$4,039 bear an interest rate of 5.75% and is repayable in blended principal and interest payments of US\$350 annually. The notes payable mature in 2013, 2015 and 2029.

5 The obligation under capital leases of US\$1,481 (January 31, 2009 - US\$2,036) is repayable in blended principal and interest payments of US\$634 annually.

The Company's principal payments of long-term debt over the next five years are as follows:

Years Ending January	
2011\$	56,339
2012	73,724
2013	811
2014	563
2015 and thereafter	77,421

10. OTHER LONG-TERM LIABILITIES

Year Ended	January 2010	January 2009
Asset retirement obligation	\$ 3,075	\$ 1,737
Other long-term liabilities	6,334	3,085
Total other long-term liabilities	\$ 9,409	\$ 4,822

The Company has recognized a discounted liability associated with asset retirement obligations (ARO's) arising from the operation of petroleum dispensing units and the specific provisions of certain lease agreements. At January 31, 2010, the undiscounted cash flows required to settle the obligations is \$10,000, which is expected to be settled between 2010 and 2037. The credit-adjusted risk-free rates at which the estimated cash flows have been discounted range from 6% to 8%. Other long-term liabilities include deferred lease inducements and liabilities for security-based compensation plans.

11. CAPITAL

Authorized The Fund has an unlimited number of units.

Year Ended	January 2010		J.	anuary 2009
Issued and outstanding	48,378	\$ 165,133	48,378	\$ 165,133

12. UNIT PURCHASE LOAN PLAN

The Company has issued loans to officers and senior management to purchase units under the unit purchase loan plan (Note 19). These loans are non-interest bearing and are repayable from the Company's after tax distributions or if the employee sells the units or leaves the Company. The loans are secured by a pledge of 361,318 units (January 31, 2009 - 655,777) of NWF with a quoted value of \$6,482 as at January 31, 2010 (January 31, 2009 - \$10,584). Loans receivable at January 31, 2010 of \$6,428 (January 31, 2009 - \$11,296) are

recorded as a reduction of equity. The loans mature January 31, 2011. The maximum amount of the loans under the plan is currently limited to \$15,000.

13. ACCUMULATED OTHER COMPREHENSIVE INCOME

Year Ended	Janua	ry 2010	Janua	ry 2009
Balance, beginning of year	\$	8,529	\$	2,014
Other comprehensive income (loss)		(4,402)		6,515
Accumulated other comprehensive income,				
end of year		4,127		8,529
Retained earnings, end of year	:	L25,525		110,475
Total accumulated other comprehensive				
income and retained earnings	\$:	L29,652	\$	119,004

Accumulated other comprehensive income represents the net changes due to exchange rate fluctuations in the equivalent Canadian dollar book values of the net investment in self-sustaining foreign operations from the date of acquisition. The US\$70,000 senior notes have been designated as a hedge against the foreign operations.

14. INCOME TAXES

The income tax effects of temporary differences that give rise to significant portions of future income tax assets and liabilities are as follows:

Year Ended	January 2010	January 2009
Future income tax assets:		
Non-capital income tax loss carry forwards	\$ -	\$ 147
Goodwill and intangible assets	366	577
Property, equipment and inventory	7,444	6,879
International property, equipment and		
inventory	1,283	1,501
Stock-based compensation and long-term		
incentive plans	1,856	969
Other temporary differences	3,067	2,078
Total future income tax assets	\$ 14,016	\$ 12,151
Future income tax liabilities:		
Accrued employee future benefit asset	(4,029	(2,306)
Net future income tax asset	9,987	9,845
Less: current portion	4,135	3,248
Long-term future income tax assets	\$ 5,852	\$ 6,597

In assessing the recovery of future income tax assets, management considers whether it is more likely than not that the future income tax assets will be realized. The recognition and measurement of the current and future tax assets and liabilities involves dealing with uncertainties in the application of complex tax regulations and in the assessment of the recoverability of future tax assets. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the years in which the temporary differences are deductible.

Components of the provision for income taxes are as follows:

Year Ended .	Januai	ry 2010	January 2009
Current income tax expense	\$	8,715	\$ 7,437
Future income tax expense (benefit) relating to:			
Temporary differences and loss carryforward	S	(1,067)	(1,092)
Future income tax expense resulting from inco	ome		
tax rate changes		193	173
	\$	7,841	\$ 6,518

Income tax expense varies from the amounts that would be computed by applying the statutory income tax rate to income before taxes for the following reasons:

Year Ended	January 2010 Jan	nuary 2009
Net earnings before income taxes Combined statutory income tax rate	\$ 89,654 32.58%	\$ 81,896 32.99%
Computed expected income tax expense Increase (decrease) in income taxes resulting f	\$ 29,209 rom:	\$ 27,020
Non-deductible expenses/non-taxable incor	-	(20,172) 187
Tax rate changes on future income taxes Other	193 (45)	173 (690)
Provision for income taxes Effective income tax rate	\$ 7,841 8.75%	\$ 6,518 7.96%
Effective income tax rate	8./5%	7.96%

Actual income taxes could vary from these estimates as a result of future events, including changes in income tax laws or the outcome of tax review by tax authorities and related appeals. To the extent the final outcome is different from the amounts initially recorded, such differences, which could be significant, will impact the tax provision in the period in which the outcome is determined.

15. NET EARNINGS PER UNIT

(Units in thousands except earnings per unit)

Year Ended Ja	anuary 2010	January 2009
Diluted earnings per unit calculation:		
Net earnings for the year		
(numerator for basic earnings per unit)	\$ 81,813	\$ 75,378
After-tax interest cost of unit purchase loan plan	192	397
Numerator for diluted earnings per unit	\$ 82,005	\$ 75,775
Weighted average units outstanding		
(denominator for basic earnings per unit)	47,799	47,718
Dilutive effect of security-based compensation	663	713
Denominator for diluted earnings per unit	48,462	48,431
Basic earnings per unit	\$ 1.71	\$ 1.58
Diluted earnings per unit	\$ 1.69	\$ 1.56

16. SEGMENTED INFORMATION

The Company operates within the retail industry. The following information is presented for the two business segments:

Year Ended	January 2010		January 2009	
Sales				
Canada	\$	921,621	\$	899,263
International		522,745		493,371
Total	\$	1,444,366	\$	1,392,634
Net earnings before amortization, interest as	nd inc	come taxes		
Canada	\$	96,599	\$	90,606
International		33,675		31,651
Total	\$	130,274	\$	122,257
Net earnings before interest and income taxe	es			
Canada	\$	69,872	\$	66,105
International		25,252		24,098
Total	\$	95,124	\$	90,203
Total assets				
Canada	\$	437,264	\$	405,417
International		186,536		203,756
Total	\$	623,800	\$	609,173

Canadian total assets includes property and equipment of \$183,786 (January 31, 2009 - \$173,862). International total assets includes property and equipment of \$75,142 (January 31, 2009 - \$74,994) and goodwill of \$28,593 (January 31, 2009 -\$32,372).

17. EMPLOYEE FUTURE BENEFITS

The Company sponsors defined benefit pension plans covering the majority of Canadian employees. The defined benefit pension plans are based on years of service and final average salary. The Company uses actuarial reports prepared by independent actuaries for funding and accounting purposes as at January 31, 2010 and January 31, 2009. The accrued pension benefits and the market value of the plans' net assets were last determined by actuarial valuation as at January 1, 2009. The next actuarial valuation is required as at January 1, 2010. The Company also sponsors an employee savings plan covering all U.S. employees with at least six months of service. Under the terms of the plan, the Company is obligated to make a 50% matching contribution up to 6% of eligible compensation.

Total cash payments by the Company for future employee benefits, consisting of cash contributed to its pension plans and U.S. employee's savings plans for the year ended January 31, 2010 were \$9,541 (January 31, 2009 - \$4,433).

The following significant actuarial assumptions were employed to measure the accrued benefit obligations and benefit plan expense:

Year Ended	January 2010	January 2009
Accrued benefit obligations		
Discount rate	6.0%	7.0%
Rate of compensation increase	4.0%	4.0%
Benefit plan expense		
Discount rate	7.0%	6.0%
Expected long-term rate of return on plan a	assets 6.5 %	6.5%
Rate of compensation increase	4.0%	4.0%

The Company's pension benefit expense is determined as follows:

Year Ended	January 2010	January 2009
·		January 2007

	Incurred in year	Matching Adjustments ¹	Recognized in year	Incurred in year	Matching Adjustments ¹	Recognized in year
Current service costs, net of employee contributions	\$ 2,960	\$ -	\$ 2,960	\$ 3,388	\$ -	\$ 3,388
Interest on accrued benefits	3,292	-	3,292	3,223	-	3,223
Return on plan assets	(6,998)	3,522	(3,476)	6,337	(10,001)	(3,664)
Actuarial (gain) loss	13,699	(13,611)	88	(8,623)	9,114	491
Past service costs	-	(11)	(11)	-	(11)	(11)
Amortization of net transition asset	-	(333)	(333)	-	(308)	(308)
Net benefit plan expense	\$ 12,953	\$ 10,433	\$ 2,520	\$ 4,325	\$ (1,206)	\$ 3,119

¹ Accounting adjustments to allocate costs to different periods so as to recognize the long-term nature of employee future benefits

The expense incurred under the employee savings plan covering U.S. employees for the year ended January 31, 2010 is US\$359 (January 31, 2009 - US\$396).

Information on the Company's defined benefit plans, in aggregate, is as follows:

Year Ended	January 2010	January 2009
Plan assets		
Fair value - beginning of year	\$ 42,207	\$ 49,646
Actual return on plan assets	6,998	(6,337)
Employer contributions	9,137	4,003
Employee contributions	24	30
Benefits paid	(4,267)	(5,135)
Fair value - end of year	\$ 54,099	\$ 42,207
Plan obligations		
Accrued benefit obligation - beginning of ye	ear \$ 49,163	\$ 56,280
Current service cost	2,984	3,418
Accrued interest on benefits	3,292	3,223
Benefits paid	(4,267)	(5,135)
Actuarial (gain) loss	13,699	(8,623)
Accrued benefit obligation - end of year	\$ 64,871	\$ 49,163
Funded status		
Fair value plan assets	\$ 54,099	\$ 42,207
Accrued benefit obligation	64,871	49,163
Plan deficit	(10,772)	(6,956)
Unamortized net actuarial losses	27,054	16,965
Unamortized net transitional asset	(1,125)	(1,458)
Unamortized past service costs	(18)	(29)
Accrued employee future benefit asset	\$ 15,139	\$ 8,522

The accrued employee future benefit asset is included in other assets in the Company's consolidated balance sheet (see Note 6).

The accrued benefit obligation of all of the Company's defined benefit pension plans exceeds the fair value of plan assets as noted above.

Year Ended	January 2010	January 2009
Plan assets consist of:		
Equity securities	59%	58%
Debt securities	37%	36%
Other	4%	6%
Total	100%	100%

The pension plans have no investment in the units of the Fund.

18. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

a) In 2002, the Company signed a 30-year Master Franchise Agreement with *Giant Tiger Stores Limited*, based in Ottawa, Ontario which grants the Company the exclusive right to open Giant Tiger stores in western Canada. Under the agreement, *Giant Tiger Stores Limited* provides product sourcing, merchandising, systems and administration support to the Company's Giant Tiger stores in return for a royalty based on sales. The Company is responsible for opening, owning, operating and providing distribution services to the stores. The Company's exclusivity right requires that a minimum number of Giant Tiger stores be opened each year, based on an expected roll-out of 72 stores over the term of the agreement. As at January 31, 2010, the Company has opened 31 Giant Tiger stores and is in compliance with the terms of the agreement.

b) The Company has future commitments under operating leases as follows:

Years Ending January	Minimum Lease Payments
2011	\$ 19,397
2012	17,723
2013	15,854
2014	14,291
2015	11,988
2016 and thereafter	59,056

Contingencies

- a) In the ordinary course of business, the Company is subject to audits by taxation authorities. While the Company believes that its tax filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the taxation authorities. The Company regularly reviews the potential for adverse outcomes and the adequacy of its tax provisions. The Company believes that it has adequately provided for these matters. If the final outcome differs materially from the provisions, the Company's income tax expense and its earnings could be affected positively or negatively in the period in which the matters are resolved.
- b) The Company is involved in various legal matters arising in the normal course of business. The occurrence of the confirming future event is not determinable or it is not possible to determine the amounts that may ultimately be assessed against the Company. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Guarantees The Company has provided the following significant guarantees to third parties:

a) The Company has entered into indemnification agreements with its current and former directors and officers to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or

any judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. The Company has purchased director and officer liability insurance. No amount has been recorded in the financial statements with respect to these indemnification agreements.

b) In the normal course of operations, the Company provides indemnification agreements to counterparties for various events such as intellectual property right infringement, loss or damages to property, claims that may arise while providing services, violation of laws or regulations, or as a result of litigation that might be suffered by the counterparties. The terms and nature of these indemnification agreements vary based on the specific contract. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. No amount has been recorded in the financial statements with respect to these indemnification agreements.

19. SECURITY-BASED COMPENSATION

Deferred Unit Plan The Fund offers a deferred unit plan for independent Trustees. The purpose of the Trustee Deferred Unit Plan is to enhance the ability of the Fund to attract and retain independent Trustees whose training, experience and ability will contribute to the effective governance of the Fund and to directly align their interests with the interests of unitholders by providing compensation for services to the Fund in the form of units. Participants are credited with deferred units based on the portion of fees each participant elects to allocate to the deferred unit plan. Each deferred unit entitles the holder to receive a unit of the Fund. The deferred units are exercisable by the holder at any time but no later than December 31 of the first calendar year commencing after the holder ceases to be a Trustee. A participant may elect at the time of exercise of any deferred units, subject to the consent of the Fund, to have the Fund pay an amount in cash equal to the aggregate current market value of the units, determined based on the closing price of the units on the TSX on the trading day preceding the exercise date, in consideration for the surrender by the participant to the Fund the right to receive units from the exercising of the deferred units.

The Fund has adopted the fair value method of accounting for security-based compensation for the Trustee Deferred Unit Plan. The deferred unit plan compensation expense recorded for the year ended January 31, 2010 is \$715 (January 31, 2009 - \$348). The liability for the deferred unit plan is recorded in accounts payable and accrued liabilities on the Company's consolidated balance sheet and is adjusted to reflect the total number of deferred units outstanding multiplied by the closing unit price at the end of the reporting period. The total number of deferred units outstanding at January 31, 2010 is 103,091 (January 31, 2009 - 70,265). There were no deferred units exercised during the year which were settled in cash.

Unit Purchase Loan Plan The Company has a unit purchase loan plan for officers and senior management whereby loans are granted to employees to purchase units of NWF (Note 12). These loans are in substance similar to stock options and accordingly are accounted for as stock-based compensation in accordance with section 3870 of the CICA handbook.

The compensation cost relating to the unit purchase loan plan for the year ended January 31, 2010 was NIL. For the year ended January 31, 2009 the compensation cost was \$599, with a corresponding increase in contributed surplus. The compensation cost is a non-cash expense and has no impact on the distributions from the Fund. There were NIL units (January 31, 2009 - NIL) purchased under the unit purchase loan plan. The units are purchased at market prices and are fully vested at the time the loan is exercised. The units are pledged as security against the loan and can not be withdrawn from the plan until the principal amount of the loan is less than 65% or 80% of the market value of the units pledged as security or if the employee sells the units or leaves the Company. If the loan value as a percentage of the market value of the units pledged as security against the loan falls below the 65% to 80% threshold, the employee may reduce the number of units pledged equal to the market value in excess of the loan balance. Employees are required to make principal payments on the loan equal to the after tax distributions on the units pledged as security. The fair value of the compensation cost was estimated using the Black-Scholes model using the following assumptions:

Year Ended	January 2010	January 2009
Loan maturity	-	2011
Risk-free interest rate	-	2.3%
Expected volatility	-	28.3%

Long Term Incentive Plans The Company implemented Incentive Plans (LTIP's) that provide for the granting of Restricted Share Units (RSU's) and Performance Share Units (PSU's) to officers and senior management. Each RSU entitles the participant to receive a cash payment equal to the market value of the number of notional units granted at the end of the vesting period. The RSU account for each participant includes the value of distributions from the Fund as if reinvested in additional RSU's. RSU awards vest with the employee on the third fiscal year end following the date of the grant to which the award relates. Compensation expense is measured initially based on the fair market value of the Fund's units at the grant date and subsequently adjusted for additional units granted based on the reinvestment of notional distributions and the market value of the units at the end of the reporting period. The associated compensation expense is recognized over the vesting period based on the estimated total compensation to be paid out at the end of the vesting period.

Each PSU entitles the participant to receive a cash payment equal to the market value of the number of notional units granted at the end of the vesting period multiplied by factors related to the achievement of specific performance based criteria. The PSU account for each participant includes the value of distributions

from the Fund as if reinvested in additional PSU's. PSU awards vest with the employee on the third fiscal year end following the date of the grant to which the award relates. Compensation expense is measured initially based on the fair market value of the Fund's units at the grant date and subsequently adjusted for additional units granted based on the reinvestment of notional distributions and the market value of the units at the end of the reporting period. The associated compensation expense is recognized over the vesting period based on the estimated total compensation to be paid out at the end of the vesting period factoring in the probability of the performance criteria being met during that period.

Compensation costs related to the RSU's and PSU's for the year ending January 31, 2010 are \$2,692 (January 31, 2009 - \$1.904).

Unit Option Plan The Company has implemented a Unit Option Plan that provides for the granting of options to certain officers. These unit options have tandem appreciation rights, enabling employees to exercise the option to acquire units or receive a cash payment equal to the excess of the fair market value of the Fund's units over the option price. These unit options are measured using the intrinsic value method, whereby a compensation liability is recorded over the vesting period in the amount by which the quoted market value of the units at the balance sheet date exceeds the exercise price of the unit options. The year-over-year change in the stock-based compensation liability is recognized in net earnings over the vesting period.

Under the terms of this plan, the Company may grant options up to 5% of its issued and outstanding units. Options are issued at fair market value based on the volume weighted average closing price of the Fund's units for the five trading days preceding the grant date. Unit options granted in 2009 vest on a graduated basis over five years and are exercisable over a period of ten years. On June 26, 2009, the Company granted 274,600 unit options with a weighted average option price of \$15.25. The unit option compensation cost recorded for the period ended January 31, 2010 was \$115 (January 31, 2009 – NIL).

A summary of the Company's unit option transactions is as follows:

	Number of Options	Weighted Average Option Price
Outstanding options, beginning of year	-	-
Granted	274,600	\$ 15.25
Exercised	-	-
Forfeited or cancelled	-	-
Outstanding options, end of year	274,600	\$ 15.25

20. FINANCIAL INSTRUMENTS

Carrying Amount and Fair Value The following table comprises the carrying amounts of the Company's financial instruments. Financial instruments are either carried at amortized cost using the effective interest rate method or fair value. The Company uses a three-level hierarchy to categorize financial instruments carried at fair value as follows:

- Level 1 Fair values measured using quoted prices (unadjusted) in active markets for identical instruments
- Level 2 Fair values measured using directly or indirectly observable inputs, other than those included in Level 1
- · Level 3 Fair values measured using inputs that are not based on observable market data

These amounts represent point-in-time estimates and may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of significant judgement.

		Assets (Li Carrio Cost/Amor	Assets (Liabilities) Carried at Fair Value		
Year Ended January 2010	Maturity	Carrying Amount	Fair Value	Carrying Amount	
Cash	Short-term	\$ 27,278	\$ 27,278	\$ -	
Accounts receivable	Short-term	71,767	71,767	-	
Financial assets included in other assets (Note 6)	Long-term	3,822	3,822	-	
Bank advances (Note 8)	Short-term	(312)	(312)	-	
Accounts payable and accrued liabilities	Short-term	(113,407)	(113,407)	-	
Financial derivative instruments ¹	Short-term	-	-	576	
Current portion of long-term debt	Short-term	(56,339)	(56,339)	-	
Long-term debt ¹ (Note 9)	Long-term	(153,095)	(154,162)	-	

¹ These items total \$152,519 which comprise the carrying value of long-term debt (Note 9)

		Assets (Li Carrie Cost/Amor	Assets (Liabilities) Carried at Fair Value		
Year Ended January 2009	Maturity	Carrying Amount	Fair Value	Carrying Amount	
Cash	Short-term	\$ 25,730	\$ 25,730	\$ -	
Accounts receivable	Short-term	68,485	68,485	-	
Financial assets included in other assets (Note 6)	Long-term	4,845	4,845	-	
Bank advances (Note 8)	Short-term	(5,974)	(5,974)	-	
Accounts payable and accrued liabilities	Short-term	(114,366)	(114,366)	-	
Financial derivative instruments ¹	Short-term	-	-	(129)	
Current portion of long-term debt ¹	Short-term	(49,198)	(49,198)	-	
Long-term debt (Note 9)	Long-term	(157,725)	(158,638)	-	

¹ These items total \$49,327 which comprise the current portion of long-term debt (Note 9)

The methods and assumptions used in estimating the fair value of the Company's financial instruments are as follows:

- The fair value of short-term financial instruments approximates their carrying values due to the immediate or short-term period to maturity. Any difference between fair value and book values of short-term financial instruments are considered to be insignificant.
- The fair value of long-term debt with fixed interest rates is estimated by discounting the expected future cash flows using the current risk-free interest rate on an instrument with similar terms adjusted for an appropriate risk premium for the Company's credit profile.
- The derivative financial instruments have been measured using a generally accepted valuation technique. The pricing model incorporates current market measures for interest rates, credit spreads, volatility levels and other market-based pricing factors.

The portion of long-term debt in an effective fair value hedging relationship and derivative financial instruments are classified as level 2, as they are primarily derived from observable interest rates. There would be no significant effect on net income if one or more of the assumptions used to fair value these instruments were changed to other reasonably possible alternatives.

Financial Derivative Instruments

Year Ended January 2010	Notional Value	Interest Rate	Fair Value
Interest rate swaps in effective fair value hedging relationship	US\$28,000 (2008 - US\$9,000)	LIBOR plus 3.67%	\$ 576 (2008 - \$129)

Financial Risk Management The Company manages risk exposures created by its use of financial instruments through a combination of derivative financial instruments, a system of internal and disclosure controls and sound operating practices.

Credit Risk Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily in relation to individual and commercial accounts receivable. The Company manages credit risk by performing regular credit assessments of its customers and provides allowances for potentially uncollectible

accounts receivable. The Company does not have any individual customers greater than 10% of total accounts receivable. At January 31, 2010, the Company's maximum credit risk exposure is \$86,818 (January 31, 2009 - \$84,514). Of this amount \$15,412 (January 31, 2009 - \$14,870) is more than 60 days past due. The Company has recorded an allowance against its maximum exposure to credit risk of \$12,143 (January 31, 2009 - \$12,941).

Liquidity Risk Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company manages liquidity risk by maintaining adequate credit facilities to fund operating requirements and sustain growth-related capital expenditures and by regularly monitoring actual and forecasted cash flow and debt levels. The following table summarizes the financial liabilities by relevant maturity dates based on the remaining period at the balance sheet date to the contractual maturity

Year Ending January 31	Total	2011	2012	2013	2014	201	5	2016+
Accounts payable and accrued liabilities	\$ 113,407	\$ 113,407	\$ -	\$ -	\$ -	\$.	- \$	_
Bank advances (Note 8)	312	312	_	_	_		-	_
Long-term debt (Note 9)	208,858	56,339	73,724	811	563	73,78	5	3,636
Operating leases (Note 18)	138,309	19,397	17,723	15,854	14,291	11,98	3	59,056
Total	\$ 460,886	\$ 189,455	\$ 91,447	\$ 16,665	\$ 14,854	\$ 85,77	3 \$	62,692

At January 31, 2010, the Company has undrawn revolving loan facilities of \$82,810.

Currency Risk Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk, primarily the U.S. dollar, through its net investment in self-sustaining foreign operations and its U.S. dollar denominated borrowings. The Company manages its exposure to currency risk by hedging the net investment in self-sustaining foreign operations with a portion of U.S. dollar denominated borrowings.

Management considers a 10% variation in the Canadian dollar relative to the U.S. dollar from a year end rate reasonably possible. Considering all major exposures to the U.S. dollar as described above, a 10% appreciation of the Canadian dollar against the U.S. dollar in the year end rate would cause net income to decrease by approximately \$100. A 10% depreciation of the Canadian dollar against the U.S. dollar year end rate would cause net income to increase by approximately \$100.

Interest Rate Risk Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily through its long-term borrowings. The Company manages exposure to interest rate risk by using a combination of interest rate swaps and a mixture of fixed and floating interest rate debt.

Considering all major exposures to interest rates as described above, a 100 basis point increase in the risk-free rate would cause net income to decrease by approximately \$1,500. A 100 basis point decrease would cause net income to increase by approximately \$1,500.

21. CAPITAL MANAGEMENT

The Fund's objectives in managing capital are to deploy capital to provide an appropriate return to unitholders and to maintain a capital structure that provides the flexibility to take advantage of growth and development opportunities of the business, maintain existing assets, meet financial obligations and enhance unitholder value. The capital structure of the Fund consists of bank advances, long-term debt including the current portion and unitholder equity. The Fund manages capital to ensure an appropriate balance between debt and equity. In order to maintain or adjust its capital structure, the Fund may purchase units for cancellation pursuant to normal course issuer bids, issue additional units, borrow additional funds or refinance debt at different terms and conditions.

The Fund's process and policies for managing capital are regularly monitored by the Fund and are reflected in the following measures:

 The Fund's debt-to-equity ratio at the end of the year was .72 compared to .78 last year. This debt-to-equity ratio is within the Fund's objectives. The debt-to-equity ratio is calculated as follows:

Year Ended	Jan	uary 2010	Janu	ary 2009
Bank advances (Note 8)	\$	312	\$	5,974
Current portion of long-term debt (Note 9)		56,339		49,327
Long-term debt (Note 9)		152,519		157,725
Total debt	\$	209,170	\$	213,026
Total equity	\$	289,926	\$	274,410
Debt-to-equity ratio		.72		.78

 As a result of borrowing agreements entered into by the Fund, there are certain financial covenants that must be maintained. Financial covenants include a fixed charge coverage ratio, minimum current ratio, a leverage test and a minimum net worth test. Compliance with financial covenants is reported quarterly to the Board of Trustees. At January 31, 2010 and 2009, the Fund is in compliance with all financial covenants. Other than the requirements imposed by these borrowing agreements, the Fund is not subject to any externally imposed capital requirements.

Capital management objectives are reviewed on an annual basis. The capital management objectives are substantially unchanged in 2009.

22. BUSINESS ACQUISITIONS

The following table summarizes the fair value of the assets acquired and the liabilities assumed:

			Sitka		Alaska
	Other ¹	April 6,		Enterpris March 3	3, 2008 ³
Assets					
Accounts receivable	\$ 2	\$	77	\$	1,977
Inventories	178		778		807
Prepaid expenses	2		-		17
Property and equipment	-	1	1,477		104
Other assets	3,086		-		1,598
Goodwill	-		-		4,422
Total Assets	\$ 3,268	\$ 1	.2,332	\$	8,925
Liabilities Accounts payable					
and accrued expenses	\$ -	\$	179	\$	1,269
Total Liabilities	\$ -	\$	179	\$	1,269
Cash consideration	\$ 3,268	\$ 1	2,153	\$	7,656

- 1 In the third quarter of 2009, the Company acquired all of the issued and outstanding shares of two privately-owned health products and services businesses with operations in northern Canada for total cash consideration of \$3,268
- 2 On April 6, 2009, the Company acquired the assets of a privately-owned retail mall and store in Sitka, Alaska, for consideration of \$12,153.
- 3 On March 3, 2008, the Company acquired all of the issued and outstanding shares of privately-owned Span Alaska Enterprises, Inc., a food and general merchandise distributor serving retail and wholesale customers in rural Alaska, for \$7,656 in cash consideration.

The above acquisitions have been accounted for by the purchase method of accounting and the results of operations of each acquisition are included in the consolidated financial statements from their respective closing date. The final allocation of the purchase price of acquisitions in the current financial year is dependant on certain ongoing valuations which may result in changes to the assigned values or the recognition of other intangible assets.

Goodwill associated with the Span acquisition is deductible for tax purposes.

23. DISTRIBUTIONS

The declaration of distributions from the Fund is subject to the terms of the Fund's Declaration of Trust and the discretion of the Board of Trustees. Following is a reconciliation of distributions recorded in retained earnings and distributions paid in cash:

Year Ended	January 2010	January 2009
Distributions recorded in retained earnings	\$ 66,763	\$ 65,310
Special distribution paid February 19, 2010 to		
unitholders of record on December 31, 2009	(2,904)	-
Special distribution paid February 20, 2009 to)	
unitholders of record on December 31, 2008	3,386	(3,386)
Special distribution paid February 22, 2008 to		
unitholders of record on December 31, 2007	-	5,806
Distributions paid in cash	\$ 67,245	\$ 67,730

24. FUTURE ACCOUNTING STANDARDS

The CICA has issued the following new accounting standards:

International Financial Reporting Standards The Accounting Standards Board (AcSB) amended CICA Handbook Section 1506, Accounting Changes, to exclude from its scope changes in accounting policies upon the complete replacement of an entity's primary basis of accounting. As a result, the Company is not required to disclose the progress of its implementation of International Financial Reporting Standards (IFRS) in the notes to these consolidated financial statements. Information on the Company's IFRS implementation plan is available in Management's Discussion and Analysis located in the 2009 Annual Financial Report.

Business Combinations CICA HB 1582, Business Combinations, together with CICA HB 1601, Consolidated Financial Statements, and CICA 1602, Non-Controlling Interest, will be effective for the Company on a prospective basis for business combinations for which the acquisition date is on or after February 1, 2011. The new standards will align Canadian generally accepted accounting principles for business combinations and consolidated financial statements with IFRS. Early adoption is permitted and would facilitate harmonization of the accounting treatments of business combinations for the year ended January 31, 2011 under both Canadian GAAP and IFRS.

25. COMPARATIVE AMOUNTS

The comparative amounts have been reclassified to conform with the current year's presentation.

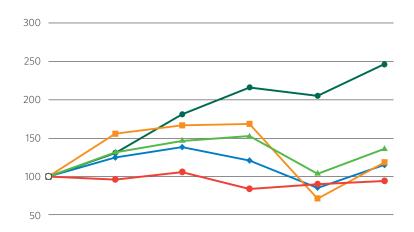
Unitholder Information

Fiscal Year	Unit Price High	Unit Price Low	Unit Price Close	Volume	EPU ¹
2009	\$ 19.60	\$ 14.88	\$ 17.94	20,080,407	\$ 1.69
April 30, 2009	17.48	14.98	16.35	4,068,297	0.33
July 31, 2009	16.75	14.88	15.65	5,289,346	0.43
October 31, 2009	18.70	15.11	16.98	6,004,601	0.51
January 31, 2010	19.60	16.86	17.94	4,718,163	0.42
2008	\$ 19.99	\$ 13.00	\$ 16.14	16,402,351	\$ 1.56
April 30, 2008	19.99	17.37	18.53	3,378,010	0.32
July 31, 2008	18.75	14.20	14.55	4,473,357	0.38
October 31, 2008	17.75	13.00	17.00	4,438,533	0.46
January 31, 2009	18.50	15.10	16.14	4,112,451	0.40
2007	\$ 22.68	\$ 15.01	\$ 18.42	17,329,531	\$ 1.31
April 30, 2007	20.93	15.01	20.55	6,369,558	0.23
July 31, 2007	21.15	18.29	21.14	3,710,133	0.30
October 31, 2007	21.96	19.25	21.79	2,847,888	0.39
January 31, 2008	22.68	17.69	18.42	4,401,952	0.39

¹ Net earnings per unit on a diluted basis

Total Return Performance (% at January 31)

This chart illustrates the relative performance of units (on a post split basis) of North West Company Fund over the past five years. The index incorporates the reinvestment of dividends and income distributions.



	2005	2006	2007	2008	2009	2010
NWF.UN	1 00	130	180	215	204	245
TSX Composite		132	148	153	104	137
Consumer Durables/ Apparel Group	 100	156	167	169	72	119
Retailing Group		124	138	120	85	114
Food/Staples Retailing Group	1 00	96	106	84	90	94

North West Company Fund Distribution Dates*

Record Date: March 31, 2010 Payment Date: April 15, 2010

Record Date: June 30, 2010 Payment Date: July 15, 2010

Record Date: September 30, 2010 Payment Date: October 15, 2010

Record Date: December 31, 2010 Payment Date: January 17, 2011

*Distributions are subject to approval by the Board of Trustees

2010 Annual and Special Meeting

The Annual and Special Meeting of Unitholders of North West Company Fund will be held on Thursday, June 10, 2010 at 11:30 am in the Muriel Richardson Auditorium. Winnipeg Art Gallery, 300 Memorial Boulevard, Winnipeg, Manitoba.

Transfer Agent and Registrar

CIBC Mellon Trust Company Calgary and Toronto Toll-free: 1800 387 0825 www.cibcmellon.ca

Stock Exchange Listing

The Toronto Stock Exchange

Stock Symbol NWF.UN

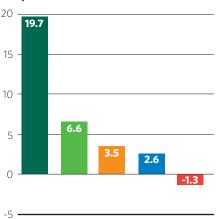
TIN #: T 17 6857 82 CUSIP #: 662906-10-6

Number of units issued and outstanding at January 31, 2010: 48,378,000

Auditors

PricewaterhouseCoopers LLP

Compound Annual Growth (%)



Corporate Governance

Complete disclosure on North West Company Fund's corporate governance is provided in the Company's Management Information Circular, which is available on the Canadian Securities Administrators' website at www.sedar.com or in the investor section of the North West Company Fund's website at www.northwest.ca

Executives Canadian Operations*	Executives International Operations*	Trustees North West Company Fund		
Edward S. Kennedy	Edward S. Kennedy	H. Sanford Riley		
President & CEO	Chairman & CEO	Chairman		
Léo P. Charrière	Rex A. Wilhelm	Edward S. Kennedy		
Executive Vice-President & CFO	President & COO	·		
		David G. Broadhurst 1,2		
Craig T. Gilpin	Henry J. Baldwin II			
Executive Vice-President	Vice-President, Human Resources	Frank J. Coleman ¹		
& Chief Corporate Officer				
	J. Robert Cain	Wendy F. Evans ^{2,3}		
Michael W. McMullen	Vice-President,			
Executive Vice-President,	Logistics and Supply Chain Services	Robert J. Kennedy ^{2,3}		
Northern Canada Retail				
	Léo P. Charrière	Gary J. Lukassen ²		
Dalbir S. Bains	Executive Vice-President & CFO			
Vice-President,		Keith G. Martell ³		
Planning & Corporate Development	Christie A. Frazier-Coleman			
	Vice-President,	James G. Oborne 1,3		
David M. Chatyrbok	Procurement & Marketing			
Vice-President,		lan Sutherland ^{2,3}		
Canadian Procurement & Marketing	Paulina Hiebert			
D 1: 11: 1	Vice-President,	Committees		
Paulina Hiebert	Legal & Corporate Secretary	1 Governance & Nominating		
Vice-President,	T1	2 Audit		
Legal & Corporate Secretary	Thomas M. Kallio	3 Human Resources & Compensation		
	Vice-President & General Manager,			

Cost-U-Less

John D. King

Walter E. Pickett

James W. Walker

Wholesale Operations

*as at March 16, 2010

Vice-President, Finance

Vice-President & General Manager,

Vice-President & General Manager,

Alaska Commercial Company

Daniel G. McConnell Vice-President,

Real Estate & Store Development

Scott A. McKay Vice-President & General Manager, Giant Tiger, West Store Division

John D. King Vice-President, Finance

Gerald L. Mauthe Vice-President, Information Services

Karen J. Milani Vice-President, Human Resources

Michael E. Sorobey Vice-President, Logistics & Supply Chain Services For additional copies of this report or for general information about the Fund or the Company, contact the Corporate Secretary:

North West Company Fund

Gibraltar House, 77 Main Street Winnipeg, Manitoba Canada R3C 2R1 T 204 934 1756 F 204 934 1317 investorrelations@northwest.ca www.northwest.ca





Nor'Westers have consistently been associated with the vision, perseverance, and enterprising spirit of the voyageurs who pushed past limits to further our Company's growth during the fur trade. We trace our roots to 1668, and the establishment of one of North America's first trading posts at Waskaganish on James Bay. Today, we continue to embrace this pioneering culture as true "frontier merchants."

North West Company Fund

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